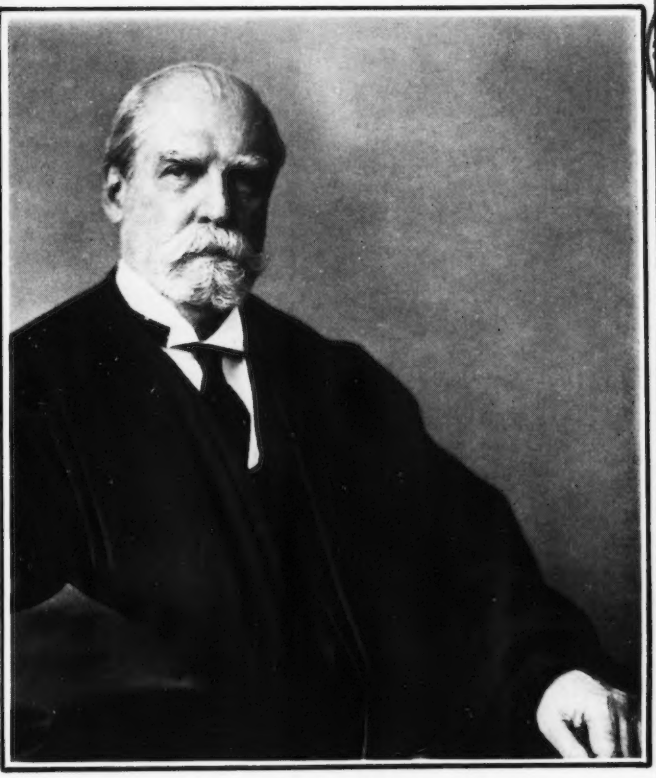
BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Time for Deliberation



PAGE ONE

MINNESOTA HOME BANKING LIBRARY

FEBRUARY 1936

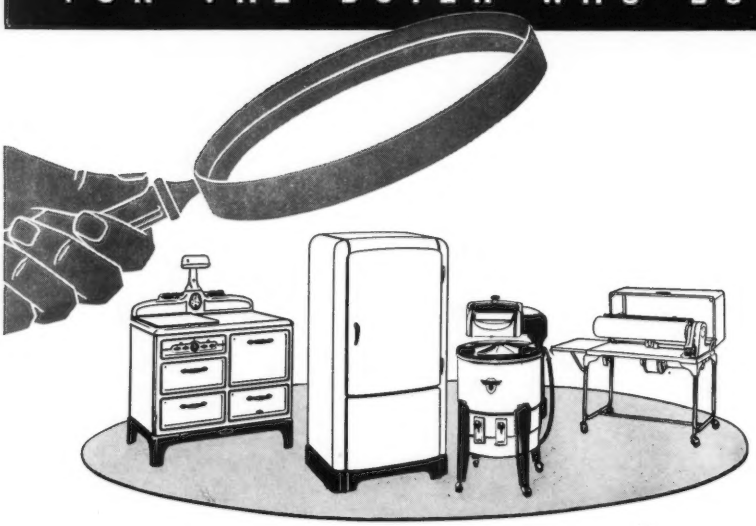
Cut Rate Money by Wood Netherland

PUBLISHED IN TWO SECTIONS. SECTION ONE

C.M. EIVER

Built with Infinite Care

FOR THE BUYER WHO BUYS THAT WAY



To the hundreds of thousands who own Norge Rollator Refrigerators, Norge high quality is taken as a matter of course. Survey shows that a large percentage of them are buying or contemplate buying other Norge appliances—ranges, washers, ironers, oil burners, Fine-Air furnaces.

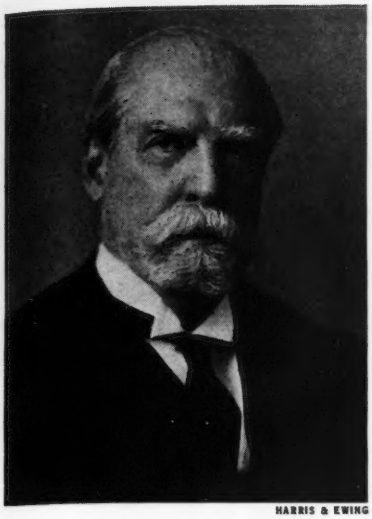
America's confidence in Norge is well merited. Norge has *earned* this confidence by constant striving to build the best—to make the best still better. "Progressive dissatisfaction" on the part of Norge results in possessive satisfaction among owners of Norge products. Proved by every possible laboratory, factory and home test—approved by owners—Norge products are constantly improved to give American homemakers the greatest possible return on their investment.

Get acquainted with the Norge dealer in your neighborhood. You'll find him a progressive merchant, for Norge dealers are carefully selected. See the Norge line of high quality home appliances for yourself—compare them from every standpoint with comparable products. Or, if you prefer, write to us direct for the name of the nearest Norge distributor.

NORGE DIVISION *Borg-Warner Corporation, 606-670 East Woodbridge Street, Detroit, Michigan . . . .* In Canada, *Canadian Radio Corporation, 622 Fleet St., W., Toronto, Ontario*

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Norge Home Appliances



HARRIS & EWING

Chief Justice Hughes

Time for Deliberation

"NEVERTHELESS the rigid Constitution of the United States has rendered, and renders now, inestimable services. It opposes obstacles to rash and hasty change. It secures time for deliberation. It forces the people to think seriously before they alter it or pardon a transgression of it. It makes legislatures and statesmen slow to overpass their legal powers, slow even to propose measures which the Constitution seems to disapprove. It tends to render the inevitable process of modification gradual and tentative, the result of admitted and growing necessities rather than of restless impatience. It altogether prevents some changes which a temporary majority may clamour for, but which will have ceased to be demanded before the barriers interposed by the Constitution have been overcome." — James Bryce, in "The American Commonwealth."

PAGE ONE

Dates and Important Events Ahead

EVENTS

Federal Reserve

The new Board of Governors of the Federal Reserve System, taking office February 1 under the provisions of the Banking Act of 1935, will face the most important year, in some respects, since the creation of the Reserve System. New centralized, experimental controlling powers have been set up and the Board will be confronted with the responsibility of keeping the country's credit-creating machinery in check in case the expected greater business activity brings an abnormally large demand for banking credit.

Reserve Bank Officers

According to the Banking Act of 1935, the boards of directors of each of the 12 Federal Reserve banks will elect a president, vice-president and other officers of their institutions to take office March 1 for a period of five years. The newly appointed Board of Governors of the Reserve System must approve the selection of the presidents and vice-presidents of the respective district banks.

Open Market Committee

Also provided for by the 1935 Banking Act is the election of representatives of the Reserve banks to serve on the Open Market Committee of the Reserve System. The committee will be composed of the members of the new Board of Governors of the System and five representatives of the Reserve banks, including one from the New York and Boston districts, one from the Philadelphia and Cleveland districts, one from the Chicago and St. Louis districts, one representing the Richmond, Atlanta and Dallas districts and the fifth representing the San Francisco, Minneapolis and Kansas City districts. The selections, made by the boards of directors of the respective Reserve banks, will provide for an alternate in the case of each representative.

Regulation U

The Federal Reserve's long expected Regulation U, to control credit extension by banks on security collateral, will not be in a form to submit to bankers for criticism until at least the middle of February, according to available information, when it is thought that the new Board will officially announce the new rulings.

Supreme Court

In addition to the New Deal legislation cases already before the Supreme Court, announcement has been made that on March 2 the Court expects to hear the case involving the right of the Government to condemn land for slum clearance, and, on March 11, the arguments on the constitutionality of the Guffey Coal Control Act. The slum clearance case, questioning the authority of the Government to exercise its right to eminent domain, originated in Louisville, Kentucky, where it was intended to condemn a large area of land for a low-cost housing plan. A similar case appeared in Michigan and it is possible that both cases will be heard jointly when the argument begins. The case of the Guffey Coal Act arose in the District of Columbia where the president of a coal company objected to paying the required tax.

Trade Agreements

Formally proclaimed by the President on December 30, and effective February 1, the reciprocal trade agreement between the United States and the Kingdom of the Netherlands is designed to facilitate the growth of trade between the two nations by reducing existing duties in some cases and by insuring against future increases in others, with a more liberal quota treatment also established. Besides the Netherlands in Europe, the treaty includes United States trade with the Netherland Indies, Surinam and Curaçao.

(CONTINUED ON PAGE 5)

★★★★

FOUR STAR PICTURE

Every year of its forty-two, Investors Syndicate has bettered its financial position. Particularly significant is this picture of its growth during the past four years:

	CAPITAL, SURPLUS AND RESERVES	TOTAL RESOURCES
☆ 1932	$6,233,947.95	$50,473,090.35
☆ 1933	$6,480,168.06	$54,514,850.26
☆ 1934	$6,947,653.46	$61,905,167.22
☆ 1935	$8,142,786.13	$72,911,698.58

● A financial statement is available . . . may we send you a copy? . . . We cordially invite inquiries from bank executives. The facts and figures should prove of value in extending counsel to depositors who seek your advice.

Since December 31, 1929, Investors Syndicate has disbursed to Contract Holders, $47,022,453.95

INVESTORS SYNDICATE

Established 1894

Offices in 101 principal cities, including:

NEW YORK† · BOSTON · PITTSBURGH · CHICAGO
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TORONTO* · MONTREAL* · VANCOUVER*

Home Offices: Minneapolis, Minn.

*Affiliated Companies: †Investors Syndicate Title and Guaranty Company, New York. *Investors Syndicate, Ltd., Canada*



There are signs that this is a Presidential year

•

HERE are a few noteworthy articles in recent publications, in case you overlooked them: "The Constitution—What it Means to the Man in the Street", by John W. Davis, January Nation's Business; "The Treaty with Canada", by Alvin H. Sanders, January Farm Journal; "Blowing the Bubble", by Lewis W. Douglas, January Atlantic; "How the Federal Reserve Operates", by M. S. Szymczak, January Savings Bank Journal; "Shielding the Sheep", by Joseph P. Kennedy, Saturday Evening Post for January 18; "Felix Frankfurter's Young Men", by Raymond Clapper, January Review of Reviews; "The Banks and the Stock Market", by Harold Barger, December Journal of Political Economy.

BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

FEBRUARY 1936

¶ CUT RATE MONEY . . . . *WOOD NETHERLAND* 17
¶ RESERVE BOARD REGULATIONS 41
¶ AMERICAN BANKING'S NATIONAL PROGRAM
B. C. FORBES, Second Section, This Issue

PAGE ONE 1
CONGRESSIONAL BAROMETER 21
A MEMORANDUM ON BANK SHARES . . . . . *FRANKLIN W. FORT* 22
INTERIOR DESIGN AS A FACTOR IN PUBLIC RELATIONS 23
A SMALL BANK'S SMALL LOANS . . *J. P. HUSTON* 24
THE ANNUAL BUDGET. . . . *LAURANCE ARMOUR* 26
AN OUNCE OF LOSS PREVENTION 28
FORGERY IN TYPEWRITTEN WILLS . *SAMUEL SMALL* 30
THE MONTH (PICTORIAL). 32
¶ CONDITION OF BUSINESS 33
¶ GOVERNMENT BANKING . . *GEORGE E. ANDERSON* 37
CALENDAR 44
CONVENTIONS 50
THE GRADUATE SCHOOL IN 1936 60
ADVERTISING'S DEFINITE JOB *MARVIN A. LEMKUHL* 74
PENNY-WISE BANK MANAGEMENT . *E. S. WOOLLEY* 76
TIMELINESS OF THE TRUST IDEA *ALBERT JOURNEAY* 86
NEW BOOKS 94
¶ THE LENDING POWERS OF BUILDING AND LOAN ASSOCIATIONS 96–104
¶ INDEX . . . . . *FACING PAGE* 104
TABLE OF ADVERTISING CONTENTS . . *FACING 3RD COVER*

Volume XXVIII No. 8

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The Magnified Importance of the Bond Account

NOTE the composition of this typical balance sheet—the proportion of this bank's assets in loans and mortgages owned. To each is given the most painstaking selection, the most careful management —and quite properly! Yet from these assets most banks receive but a trifle more than half their income.

Why, then, for the bank's bond account, only limited attention as compared with the time given to the management of other assets? Equally important as a medium of investment and of even greater importance today as a source of bank earnings—yet the supervision of the bond account is too frequently saddled on the shoulders of a single officer, *as a part time job!*

No living man can carry such a load. Single-handed, he has neither time nor facilities to gather all the investment facts—let alone interpret and apply them. Single-handed, he simply can't do so much work.

That is why so many banks are turning to Moody's Supervisory Service. To *your* bank, this service will bring:

The experience of three decades in advising institutional investors.

A trained and capable staff—to collect and analyze investment facts.

A personal counsellor—to interpret and apply this information, precisely and specifically, to *your bank's requirements.*

Let us show you and your directors how really helpful yet inexpensive Moody's Supervisory Service will be to your bank. There's no obligation, of course.

MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 BROADWAY, NEW YORK CITY 105 WEST ADAMS ST., CHICAGO

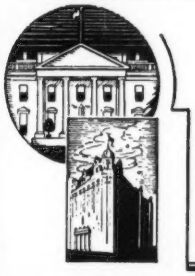
BANK
AUDITS

▼

DIRECTORS
EXAMINATIONS

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J. F. MEREDITH
and Company
50 Church Street
NEW YORK CITY



DISTINCTION

The Willard served as the official White House when President and Mrs. Coolidge lived here for a month during his administration. . . . With its modern facilities, the Willard retains all the tradition exclusively its own.

Single Rooms with Bath $4 up
Double Rooms with Bath $6 up

The
WILLARD HOTEL
"Residence of Presidents"
WASHINGTON, D. C.
H. P. Somerville, Managing Director

NEW YORK BOOKING OFFICE
11 West 42nd Street
Longacre 5-4500

(CONTINUED FROM PAGE 1)

United States trade agreements are concluded and in effect with the following countries: Belgium, Brazil, Canada, Cuba, Haiti, Kingdom of the Netherlands and Sweden. On January 9 was signed the reciprocal trade agreement with Switzerland, which becomes effective February 15. The treaty with Switzerland includes a unique supplementary agreement, not effective until May 1, under which the Swiss Government will undertake the export control of watch movements in an effort to prevent their further smuggling into the United States. Officials have stated that nearly 1,000,000 watch movements have been smuggled into this country within a single year.

The agreement with Colombia was signed September 13, 1935, and is not yet in effect. The Honduran agreement was signed December 18, 1935, providing for duty reduction on many of the most important commodities and assurances against increases on others. It will become effective 30 days after it has been jointly confirmed.

Negotiations

Announcement has been made that treaty negotiations between the United States and the following countries are pending: Costa Rica, El Salvador, France (and her colonies and protectorates other than Morocco), Finland, Guatemala, Italy, Nicaragua and Spain.

Stabilizing Instability

The Gold Reserve Act of 1934, establishing the $2,000,000,000 stabilization fund of the Federal Treasury, with which the currency of the United States has been managed since the gold content of the dollar was devalued, and giving the Secretary of the Treasury power to manipulate foreign exchange in this country, has been extended, by proclamation of President Roosevelt, until January 30, 1937. The President's dollar devaluation power is also extended.

S.E.C.

March 31 is the deadline for foreign countries to register their bonds with the Securities and Exchange Commission, although the commission has asked for all registrations to be made by February 13 if possible, so that it may have more time for investigation.

The S.E.C. has extended to March 31 the temporary exemption from registration, provided in Rule AN-9, which applies to certain issues secured by property that is at present owned or leased

Security
Advisory
Service
for
Institutions

Continuing the security business of
ROOSEVELT & SON *founded 1797*

Dick & Merle-Smith
Members New York Stock Exchange

30 Pine St.
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FEDERAL INTERMEDIATE
CREDIT BANK
Consolidated Debentures

Authorized by an Act of
Congress approved March 4, 1923
As Amended

Exempt from Federal, State, Municipal and Local Taxes

Consolidated debentures are the joint and several obligation of the twelve Federal Intermediate Credit Banks.

These debentures are eligible up to six months' maturity for purchase by the Federal Reserve Banks.

They are acceptable as collateral security for fifteen day loans by member banks of the Federal Reserve System.

Consolidated debentures are legal for investment by savings banks in the State of New York.

They are eligible as security for all fiduciary, trust, and public funds held under the authority or control of officers of the United States.

These debentures have been approved as security for deposits of postal savings funds.

☆ *Further information and circulars can be obtained through your dealer or*

CHARLES R. DUNN, *Fiscal Agent*
For the Federal Intermediate Credit Banks
31 Nassau Street — New York City

SOUND INDEMNITY

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The age and reputation of an Insurance Company coupled with the character of its management are factors, which those entrusted with the property interest of others, take into consideration when insurance protection is selected with discrimination.

•

UNITED STATES FIRE INSURANCE COMPANY
Organized 1824

THE NORTH RIVER INSURANCE COMPANY
Organized 1822

BRITISH AMERICA ASSURANCE COMPANY
Incorporated 1833

WESTCHESTER FIRE INSURANCE COMPANY
Organized 1837

WESTERN ASSURANCE COMPANY
Incorporated 1851

THE ALLEMANNIA FIRE INSURANCE COMPANY
Organized 1868

RICHMOND INSURANCE COMPANY
Organized 1907

SOUTHERN FIRE INSURANCE COMPANY OF DURHAM, N. C.
Incorporated 1923

•

CRUM & FORSTER
MANAGERS

110 William Street New York

by a person other than the original issuer.

Corporations with stock listed on any national security exchange must file an annual report, as required by the S.E.C., with the commission in Washington not later than 120 days after the close of their fiscal year. April 29 is the deadline for corporations whose fiscal year ended December 31, 1935.

F.D.I.C.

The F.D.I.C. is to ask for a renewal of the power given it by Congress under the Banking Act of 1935 to promote bank mergers or otherwise reduce its risk by strengthening weak banks. Under the law the corporation, "whenever in the judgment of the board of directors such action will reduce the risk or avert a threatened loss to the corporation and will facilitate a merger or consolidation of an insured bank with another insured bank or will facilitate the sale of the assets of an open or closed bank to and assumption of its liabilities by another insured bank," can lend money upon or purchase the assets of or do almost anything in regard to the assets of any insured bank.

This power expires on July 1. Very little has been accomplished under it so far, but there are indications that the effort has begun. What the corporation proposes to do is to complete surveys it has commenced in various states, find out what can be done and what ought to be done and then get the bankers of the states to do it.

Effective February 1 is the F.D.I.C. requirement that the corporation's official advertising statement (i.e. to the effect that the bank is a member of the Federal Deposit Insurance Corporation) be included in every advertisement issued by an insured bank.

Democratic Convention

At its meeting on January 9, the Democratic Committee set the National Convention date for June 23 in Philadelphia, two weeks after the Republican Convention in Cleveland.

Commercial Arbitration

Announcement has been made that the American Arbitration Association has formed a special committee, headed by Thomas J. Watson, president of the International Business Machines Corporation, to plan a series of 12 meetings in an effort to promote the use of commercial arbitration in this country. The first in the series of meetings, which will be for various industries, will be held on February 4 when the campaign opens in New York City.

Motor Carriers

The Motor Carrier Act of 1935 requires that every common motor carrier shall file with the Interstate Commerce Commission its tariffs and schedules showing rates, fares and charges for transportation. March 2 is the date set by the commission for the filing of these compilations. The rates, fares and charges for transportation as shown by the tariffs and schedules so filed will become effective on April 1.

Air-Conditioning

Because of the rapid development of air-conditioning equipment and the fundamental importance of cooling systems for passenger carriers, the Association of American (CONTINUED ON PAGE 8)

IN THE BAVARIAN ALPS

At Garmisch-Partenkirchen the Winter Olympics begin on February 6. An important building for those who will read the sports news is this telephone "post"



WIDE WORLD

"Unforeseen events . . .

so often change and shape the course of man's affairs."



OUR VAST GOLD HOARD TO LIE BURIED INLAND

Treasure Worth Nine Billions, Built Up by Trade and Seizures, Will Be Guarded at Denver and Fort Knox

WASHINGTON, July 3.—With more gold in the country than at any other time in history, the Federal Government is taking steps almost inconceivable twenty years ago to guard this precious store. The supply is valued at about $9,000,000,000.

Already a great quantity of the yellow metal has been moved inland, and when the government's plans have been completely carried out there will remain in seaboard cities only a comparatively small amount needed in foreign exchange transactions.

In addition, work is under way

too much about them. Secretary of the Treasury Morgenthau confined himself to the laconic statement:

"We thought Fort Knox was a safe place. You know what I mean—safe."

The measures to make it an entirely safe place begin with the vault structure itself. Theorizing from the specifications available on the Treasury Department's latest safety models, the building will be raised somewhat above the ground as a guard against tunneling operations. Tunnels dug under the structure will set off an alarm when they reach metal plates

Treasury to Build a Gold Vault At an Army Post in Kentucky

Orders Rush Construction in Centre of Fort Knox in Line With Policy of Moving Mounting Bullion Stores From Coast Cities Vulnerable to Enemy Attack.

WASHINGTON, June 28.—In preparation for another major transfer of the government's huge gold reserve, secret orders have been given, it was disclosed today, for the rush construction of a subterranean vault in the centre of an army post thirty-one miles from Louisville.

Into this vault will be transferred a good portion of the billions in gold now held by the government in New York and Philadelphia.

The structure, officials reluctantly disclosed, will be built in continuation of the policy of moving precious monetary reserves

anized cavalry unit is stationed at Fort Knox. It is equipped with speedy armed scout cars and armored cars. Each car carries high-powered machine guns, a radio and other modern equipment.

Treasury officials in charge of plans for the new vault were asked to have them ready by Aug. 1. Treasury surveyors have looked over the ground. The site tentatively selected is not only in the middle of Fort Knox but is far from both rail

DRILL TO BEDROCK FOR GOLD VAULTS

Treasury Surveyors Already Map Fort Scott Terrain for Reserve Depot.

1,300 SOLDIERS ON DUTY

Area Bristles With War Implements—Natural Barrier is Kentucky Range.

LOUISVILLE

HELPING BUILD THE SAFEST GOLD VAULT IN THE WORLD

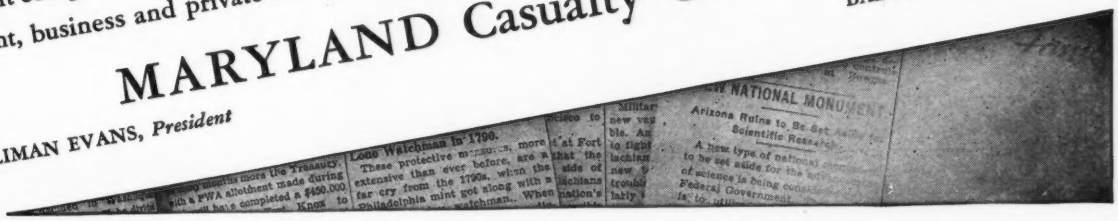


Behind the natural barrier of the Kentucky mountains, sunk deeply in bedrock, the U. S. Bullion Depository at Fort Knox will owe part of its realization to the guarantee of a *construction bond.* In this important undertaking the Maryland is participating, helping insure soundness of materials and faithful workmanship...underwriting this vast project against any unforeseen hazard that might hinder its swift completion. Thus the Maryland is constantly helping build a Greater America...serving government, business and private individuals through more than sixty different bonding and casualty lines.

MARYLAND Casualty COMPANY

BALTIMORE, MARYLAND

SILLIMAN EVANS, *President*



THE VALUE of individualized CHECKS



IF every customer of yours had his name and address printed upon the checks he issues, many advantages would accrue to your bank.

It would tie the customer closer to you.

It would reduce wastage and cause greater respect for the check itself.

It would make sorting easier and insure accurate charging of all accounts.

It would encourage prompt reconciliation of monthly accounts.

It would reduce to a minimum the number of "no account" checks.

It would make your customer more conscious of the value of his banking connection.

It would make him a better customer and that is what you want, isn't it?

Our nearest office will be pleased to send you details of a comprehensive plan which encourages the greater use of these individualized checks and also emphasizes certain safety measures in connection with check distribution.

De Luxe
CHECK PRINTERS
INC.
CHICAGO CLEVELAND KANSAS CITY
NEW YORK ST. PAUL

Railroads, headed by J. J. Pelley, will launch a plan to establish the standardization of air-conditioning equipment on railroads even though such equipment is only about five years old. A comprehensive study will first be made of the various systems now in use by the railroads of the country in an effort to combine the best features of each type and reduce the costs of installation and maintenance.

Conventions and Meetings

(See also pages 44, 46, 48, 50)

During February the following important business, financial and industrial conferences will be held: January 15–September 7, California Pacific International Exposition, San Diego; January 25–February 6, National Home Show, Fort Worth; February 3–7, Merchandise Fair, Chicago; February 3–7, National Electrical Manufacturers Association, New York City; February 3–14, Eastern Manufacturers and Importers Exhibit, Chicago; February 3–17, American Retailers Association, St. Louis; February 8, National Railway Business Women's Association, St. Paul; February 10–12, Associated Chain Drug Stores and the National Association of Chain Drug Stores, New York City; February 10–15, National Knitwear Industrial Exposition, New York City; February 10–15, National Retail Liquor Package Stores Association Convention and Exhibit, together with the Wine and Liquor Show and Distilling Equipment Exposition, New York City; February 10–19, National Exposition of Architecture, Decorative and Industrial Arts, New York City, under the auspices of the Architectural League of New York, American Institute of Architects and the American Institute of Decorators.

February 11, Workmen's Compensation Reinsurance Bureau, New York City; February 11–13, American Bankers Association, Trust Division, Annual Mid-Winter Conference, New York City; February 12–14, Association of Highway Officials of the North Atlantic States, Atlantic City; February 13, Trust Companies Association of the

(CONTINUED ON PAGE 11)

RESIGNS

Thomas Jefferson Coolidge, Boston banker, has resigned from the Treasury Undersecretaryship, which post he took in April, 1934



Notice to our 62,000 stockholders

Dividend* of 45 cents per share will be paid on no-par common stock February 15, 1936, to stockholders of record 3:00 P.M. January 27, 1936, without closing the transfer books.

J. S. Prescott, *Secretary*

*56th Dividend

Among the products of General Foods are: Maxwell House Coffee—Post Toasties—Grape-Nuts—Postum—Post's 40% Bran Flakes—Baker's Premium Chocolate—Swans Down Cake Flour—Diamond Crystal Salt—Calumet Baking Powder—Baker's Coconut—Sanka Coffee—Jell-O—Minute Tapioca—Grape-Nuts Flakes—Log Cabin Syrup—Certo—La France—Satina—Baker's Cocoa—Post's Whole Bran.

GENERAL FOODS

250 Park Avenue, New York City

GF

If Safe, Profitable Loans Are Hard to Find . . .

. . . Here's a plan to make every good depositor a profitable borrower. Hundreds of bankers all over the country have found this free booklet interesting and valuable

As a commercial banker, more than half your depositors are car owners. About every four years each of them buys a car. Half of them buy these cars on time. The average time purchase involves a loan of more than $500.

Figure it out for yourself. For every hundred depositors you can put out every year $3200 (very conservatively estimated) at the inception of the loans, or an average outstanding of about half that.

Repossessions, believe it or not, are practically nil with commercial banks for they have the local facilities to investigate and underwrite these loans carefully. The records, methods and forms are simplicity itself.

How many depositors have you? . . . Would you like to have safe and highly profitable loans outstanding of $1600 or $1700 (at least) for every hundred depositors the year round? Then send for our new booklet, "A Profitable Thought, Mr. Banker." It gives facts and figures about personal loans and particularly automobile purchase loans for commercial bankers. It will be mailed from New York without the slightest obligation on your part.

What's our interest in this? When the automobile paper is written locally the local insurance agent gets the automobile insurance. When, as happens under these conditions, auto owners get insurance from their own local agents they get superior insurance service. Study has convinced us that commercial banks can give better, more economical financing service than is now generally available.

The
LONDON ASSURANCE

The
MANHATTAN
Fire and Marine Insurance Company

The
UNION FIRE
Accident & General Insurance Company

99 John Street **New York**

SEND NOW for this interesting, valuable booklet. It's FREE, without obligation, and attempts to sell you nothing whatever but a good idea.

The London Assurance
99 John Street, New York

Gentlemen:

Yes, send me, without obligation, your free booklet telling about safe, profitable automobile purchase loans.

Your name.....

Your bank.....

City..... **State**.....

please print clearly

FARMERS DEPOSIT NATIONAL BANK

OF PITTSBURGH, PENNSYLVANIA

ESTABLISHED 1832

STATEMENT OF CONDITION, DECEMBER 31, 1935

RESOURCES

Cash on Hand and Due From Banks	$25,883,694.17	
U. S. Government Securities	59,480,016.30	$85,363,710.47
Other Bonds and Securities	3,946,831.13	
Loans and Discounts	8,613,489.46	12,560,320.59
Interest Accrued on Investments		389,347.12
Bank Building		4,575,177.18
Other Real Estate		116,234.26
Overdrafts		25.96
Other Resources		12,641.81
		$103,017,457.39

LIABILITIES

Capital	$ 6,000,000.00	
Surplus	6,000,000.00	
Undivided Profits and Reserves	3,396,420.02	15,396,420.02
U. S. Government Deposits (Secured)	3,607,466.27	
Municipal Deposits (Secured)	366,725.53	
Other Deposits	83,458,040.07	87,432,231.87
Reserves for Taxes, Interest, etc.		188,805.50
		$103,017,457.39

DIRECTORS

ARTHUR E. BRAUN
President

GEORGE H. CLAPP
Director, Aluminum Company of America

GEORGE L. CRAIG
President, Chartiers Oil Company

MAURICE FALK
Director, National Steel Corporation

WILLIAM C. FOWNES, JR. *Chairman, Executive Com.*, Spang, Chalfant & Co., Inc.

JOHN G. FRAZER
Member, Reed, Smith, Shaw & McClay

CHARLES W. FRIEND
Vice-President, Brownsville Coal & Coke Co.

JAMES B. HAINES, JR.
Director, National Union Fire Insurance Co.

JAMES E. LEWIS
President, Harbison-Walker Refractories Co.

SIDNEY S. LIGGETT
Banker

WILLIAM L. MONRO
President, American Window Glass Company

FRANK R. PHILLIPS
President, Duquesne Light Company

ANDREW W. ROBERTSON
Chairman, Westinghouse Electric & Mfg. Co.

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1936

BEHIND THE ENDURING INSTITUTION... SUCCESSFUL CUSTOMERS

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(CONTINUED FROM PAGE 8)

State of New York, New York City; February 14–23, National Home Show, Detroit; February 17–18, Inland Daily Press Association, Chicago; February 17–21, American Paper and Pulp Association, National Paper Trade Association of the United States, Salesmen's Association of the Paper Industry and Technical Association of the Paper and Pulp Industry, New York City; February 19, Association of Newsprint Manufacturers of the United States, New York City; February 20, North-Central Building and Loan Group, Chicago; February 21–22, American Savings, Building and Loan Institute, annual mid-Winter Conference, Chicago; February 21–23, National Association of Tobacco Distributors, New York City; February 22, Central States Morris Plan Bankers Association, Cincinnati; February 25, National Automobile Club, San Francisco; February 25–27, American Concrete Institute, Chicago; February 28–29, Associated Traffic Clubs of America, New Orleans; February 28–March 7, National Home Show, Louisville.

Other Meetings

Among the March meetings scheduled are the following: March 3–6, Packaging, Packing and Shipping Exposition, sponsored by the American Management Association in conjunction with its Packaging Conference, New York City. The Packaging Machinery Manufacturers Institute also will meet on March 5. March 5–6, American Bankers Association, Eastern Savings Conference, New York; March 9–12, National Railway Appliances Association, Chicago; March 25, Railroad Insurance Association, New York City; March 26–27, American Bankers Association, Regional Conference on Banking Service, Memphis; March 30, Women's National Exposition of Arts and Industry, New York City.

Graduate School of Banking

The second resident session of the A.I.B. Graduate School of Banking will be held at Rutgers University from June 22 to July 3. Registration for the session will open on February 15 and will close April 1.

British Industries

The annual British Industries Fair, February 17–28, is divided into two sections. The first, comprising the lighter trades of china, glassware, foodstuffs, textiles, leather, furniture, printing and publishing, is held in London, while the exhibits of the heavier industries such as engineering, building materials, metals, hardware and machinery are held in Birmingham. The Fair, organized with the aim of assisting the trade buyer, permits only the actual manufacturer or his sole distributor to exhibit, so that the buyers at the Fair can be certain that they are dealing with the first source of supply.

PUBLIC FINANCE

Government Financing

The next regular financing date of the Government is March 16.

THE FARM PROBLEM REMAINS

A.A.A. processing tax records are being tabulated in this office. Methods for continuing agricultural adjustment in some form occupy the best efforts of numerous Government officials



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GENERAL MILLS, INC.

30th Consecutive
Common Stock Dividend

December 21, 1935

Directors of General Mills, Inc. announce the declaration of the regular quarterly dividend of $.75 per share upon the common stock of the company, payable February 1, 1936, to all common stockholders of record at the close of business January 10, 1936. Checks will be mailed. Transfer books will not be closed. This is the thirtieth consecutive dividend on General Mills' Common.

(Signed) KARL E. HUMPHREY,
Treasurer.



Treasury Bills

During February the following issues of United States Treasury bills of about $50,000,000 each come due: issued May 8, 1935, due February 5; issued May 15, due February 11; issued May 22, due February 19; issued May 29, due February 26. Discount rate at purchase is 15 per cent.

During March, issues of Treasury bills totaling about $650,000,000, each of about $50,000,000, come due: issued June 5, 1935, due March 4; issued June 12, due March 11; nine issues respectively of October 2, 9, 16, 23, 30 and November 6, 13, 20, 27 all mature on March 16; issued June 19, due March 18; issued June 26, due March 25. Discount rate at purchase is 15 per cent.

Treasury Note Interest

February 1 is the interest date for Treasury notes, Series A-1936 and Series A-1938. February 15 is the interest date for Series C-1937; March 15 is the date for the following: Series D-1936, Series A-1937, Series C-1938, Series D-1938 and Series A-1940.

Government Bond Interest

During February interest is payable on the following United States Government bonds: on February 1, 3¼ per cent bonds of 1941; on March 1, Panama Canal loan of 1961; on March 15, 3¾ per cent bonds of 1946–56; 3⅜ per cent bonds of 1941–43; 3 per cent bonds of 1951–55; 2⅞ per cent bonds of 1955–60.

Government Taxes

On February 15 all Federal information returns are due (including reports of payments of $1,000 or more) except returns of fiduciaries and partnerships, which will be due March 16. February 15 is also the due date for returns of dividend payments of $300 or more by domestic and resident foreign corporations not specifically exempt from taxation.

On February 20 are due the tax returns of amounts of interest payments on corporate obligations which were withheld at source during January. When a corporation issues new obligations, it has the option of choosing whether it will "withhold at source" and pay the Federal tax on interest payments or whether the purchaser will be required to make such payments.

February 29 is the due date for Federal returns and payment of excise taxes for January. Returns and payment of excise taxes must be made to the Collector of Internal Revenue on the last day of the month following that for which the return is made.

March 16 is the due date for filing gift tax returns for all gifts made during the calendar year 1935.

Federal Income Tax

On March 16 are due the Federal income tax returns for the calendar year 1935 of individuals, fiduciaries and partnerships; also due on that date are Federal income tax and excess profits tax returns of corporations (other than non-resident aliens and foreign corporations which do not have an office in this country). All returns must be made in duplicate. One-fourth of the tax on individual and corporation incomes, resident and non-resident, is payable on March 16. The other payments are due at intervals of three months.

March 16 is also the due date for annual returns of Federal income tax withheld at source.

H.O.L.C.

Although the law requires that the Home Owners' Loan Corporation must finish all lending operations by June 13, 1936, indications are that operations will be wound up in practically all of the states by April 1. Of the 1,800,000 loan applications filed with the agency, only 67,000, or about 3 per cent, remain to be acted on. Lending has been virtually completed in Delaware, the District of Columbia, Hawaii, Nevada, New Hampshire, Rhode Island and South Dakota; completion is expected by February 1 in Missouri, North Carolina, Vermont and Wyoming.

Tentative deadlines for the termination of lending in the other states have been set as follows: March 1, California, Connecticut, Georgia, Kentucky, Maryland, Pennsylvania, South Carolina, Texas (Dallas and Houston districts), Washington and West Virginia.

April 1, Arkansas, Florida, Illinois, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New Mexico, New York, North Dakota, Oklahoma, Oregon, Tennessee, Texas (San Antonio district), Virginia.

May 1, Alabama, Arizona, Colorado, Indiana, Iowa, Maine, Mississippi, Ohio, Utah, Wisconsin.

June 13, Idaho, Montana, Puerto Rico.

CORPORATE FINANCE

Funded Debt

The Pennsylvania Railroad Company has $60,000,000 in 15-year secured gold 6½ per cent bonds due February 1.

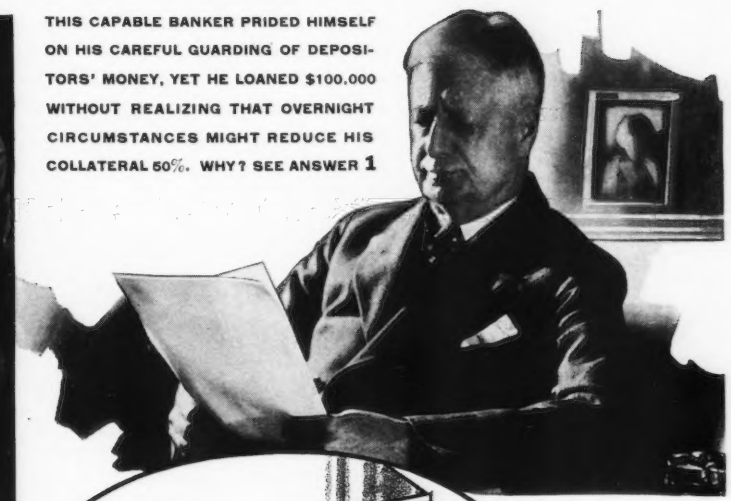
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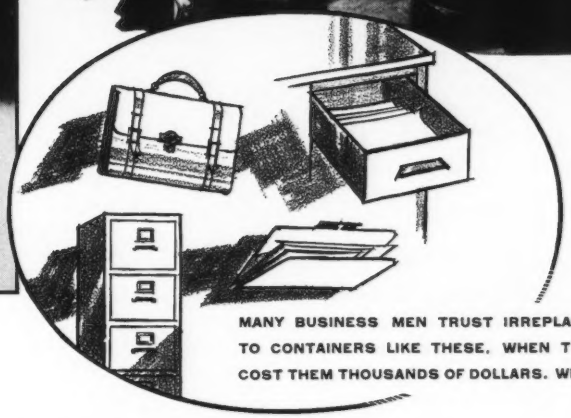
Strange Oversights OF MODERN BUSINESS



THIS MANUFACTURER PRIDED HIMSELF ON MAINTAINING A SOUND CASH POSITION, YET HE BORROWED THE $100,000 WITHOUT PROTECTING HIMSELF AGAINST AN APPROXIMATE 50% LOSS. WHY? SEE ANSWER 1

THIS CAPABLE BANKER PRIDED HIMSELF ON HIS CAREFUL GUARDING OF DEPOSITORS' MONEY, YET HE LOANED $100,000 WITHOUT REALIZING THAT OVERNIGHT CIRCUMSTANCES MIGHT REDUCE HIS COLLATERAL 50%. WHY? SEE ANSWER 1





MANY BUSINESS MEN TRUST IRREPLACEABLE RECORDS TO CONTAINERS LIKE THESE, WHEN THEIR LOSS MIGHT COST THEM THOUSANDS OF DOLLARS. WHY? SEE ANSWER 2

FEARFUL LOSS occurs annually through neglect of one simple precaution

ANSWERS TO STRANGE OVERSIGHTS

ANSWER 1. The banker loaned the money to the manufacturer against accounts receivable and inventory. He knew the manufacturer carried adequate insurance. But neither he nor the manufacturer realized that they did not have Record Assurance and for that reason could not prove full loss. The manufacturer lost his records and the adjustment amounted to a 50% write-down.

ANSWER 2. Many business men do not realize what effect the loss of valuable records would have on the future of their business. The practices pictured here and the use of equipment which the manufacturer himself had declared obsolete—in many cases have stopped with the purchase of Record Assurance.

Forty-three per cent of businesses are unable to resume after a record loss—not because they were not adequately insured—but because they have lost their business memories.

The incidents pictured here show but a few of many ways in which the loss of deeds, contracts, purchase orders, accounts receivable, sales and stock records—may seriously cripple or even ruin your business future.

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ACME

Speaking recently in New York, Leon Fraser, former president of the Bank for International Settlements and now vice-president of the First National Bank of New York, said that unless we revert to a pay-as-you-go system we "will live to regret it"

(CONTINUED FROM PAGE 12)

The American Telephone and Telegraph Company's convertible 4 per cent gold bonds, amounting to $2,589,000, will be due on March 1, 1936.

The Chicago and Northwestern Railway Company has $14,775,000 in 15-year secured 6½ per cent bonds due on March 1, 1936.

The Aluminum Company of America has elected to redeem on March 1, 1936, bonds amounting to $6,081,000 which are part of the $60,000,000 issue of its 5 per cent sinking fund debenture gold bonds, dated March 1, 1927.

The United States Rubber Company has elected to redeem on March 1, 1936, all of Series L, due March 1, 1937, at 101, and all of Series M, due March 1, 1938, at 102, of its 6½ per cent serial gold notes, dated March 1, 1925. Accrued interest to March 1, 1936, will also be paid on that date.

The Texas Corporation has called for payment on April 1, 1936, $30,000,000 of its outstanding $90,000,000 of 5 per cent debentures, due on October 1, 1944, at 101, together with accrued interest.

Annual Meetings

The following annual meetings are tentatively scheduled for February: February 3, General Telephone Corporation; February 4, Continental Insurance Company, Fidelity-Phenix Fire Insurance Company of New York, United Corporation; February 14, Jones & Laughlin Steel Company, special; February 18, Wilson & Company, Inc.



THE PASSING OF THE NAIL FILE

TWENTY YEARS AGO, the wise car driver carried a nail file to clean the platinum points in the distributor.

Today, the nail file is banished from the automobile tool kit. Tungsten points, developed in the General Electric Research Laboratory, in Schenectady, N. Y., have replaced soft and expensive platinum. There is little need to file tungsten points. Hidden away, requiring no attention, they break electric circuits half a million times an hour and save car owners millions of dollars a year.

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96-186H1

GENERAL ELECTRIC

U. S. Government Securities

Home Owners' Loan Corporation Bonds
Federal Farm Mortgage Corporation Bonds
Federal Intermediate Credit Bank Debentures
Federal Land Bank Bonds

Municipal Bonds and Notes

Bank and Bankers' Acceptances

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Equipment Trust Certificates
Public Utility and Industrial Bonds

Canadian Government, Provincial and Municipal Bonds

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BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

FEBRUARY 1936

Cut Rate Money



BY WOOD NETHERLAND

Vice-President, Mercantile-Commerce Bank and Trust Company, St. Louis

AN analysis of the various economic experiments which have been undertaken during the past few years discloses that much of our present difficulty arises from the efforts to set aside the normal and inevitable processes of national development by Government fiat. This is not to suggest that we would be better off by subscribing wholly to the doctrine of *laissez faire*, but the failure of so many of our nostrums to place us on the highway to a perfect national life is at least sufficient ground for wondering whether we could not get along just as well by interfering less with natural economic forces. One would be stupid indeed to advocate that in time of stress no effort whatever be made to guide these forces along a course that would result in less damage; but this effort at guidance should be the extent of our interference, since general trends are relentless and we should refrain from any attempt to make water run up hill.

So much of our economy, our planned economy in particular, runs aground on the rock of diminishing returns. A case in point is that of labor. No right-thinking person would want to return to that period in our history when low wages and long hours reduced so large a portion of our population to virtual economic slavery; and yet, after all, corrective measures may have been carried so far as to defeat the very purpose for which they were initiated. If either by organization, government coercion, or wholehearted cooperation on the part of industry, wages are lifted to such a level as will make prohibitive the cost of manufactured goods except at peak production, stagnation results, and unemployment follows. The solution of our problem lies *wholly* in the discovery of a system that will provide consonant fluctuation between the purchasing power of the consumer and the cost of goods. We have not yet found the proper variable index.

On the other side of the picture, we believe we can point out the fallacy of the attempts on the part of the Government, through its lending instrumentalities, to prescribe for investors interest rates which are not in keeping with lending experience, and some of the effects of these Government policies on the interest and lending structure. Unlike the cost of things which we generally term commodities, the cost of money and the measure of its use is not altogether based on the law of supply and demand. The fear of loss, or, as usually expressed, the risk involved, is much more of a determining factor in the matter of interest rates than that of supply. This fear is twofold; it includes the fear of the lender who questions the ability of the borrower to repay, and that of the borrower who doubts his own ability to use the funds profitably. Thus,

the cost of money, in other words the interest rate, has a way of adjusting itself to an "actuarial" basis, and this basis, though arbitrarily set aside for a time by artificial means, must in the end obtain. If it does not, the sources of credit will dry up.

This is well illustrated by the differential that has long existed between rates in old and established communities and those in new and sparsely settled districts. Rates are uniformly higher in "the wide open spaces", for after all, they must be sufficient to warrant proper appraisal of both personal and collateral risk, to absorb the cost of service on the loans, to withstand such losses as are characteristic of any particular type of credit and, finally, to provide a reasonable net return to the investor. These attributes, as well as the supply of funds, determine the level of interest rates in the final analysis.

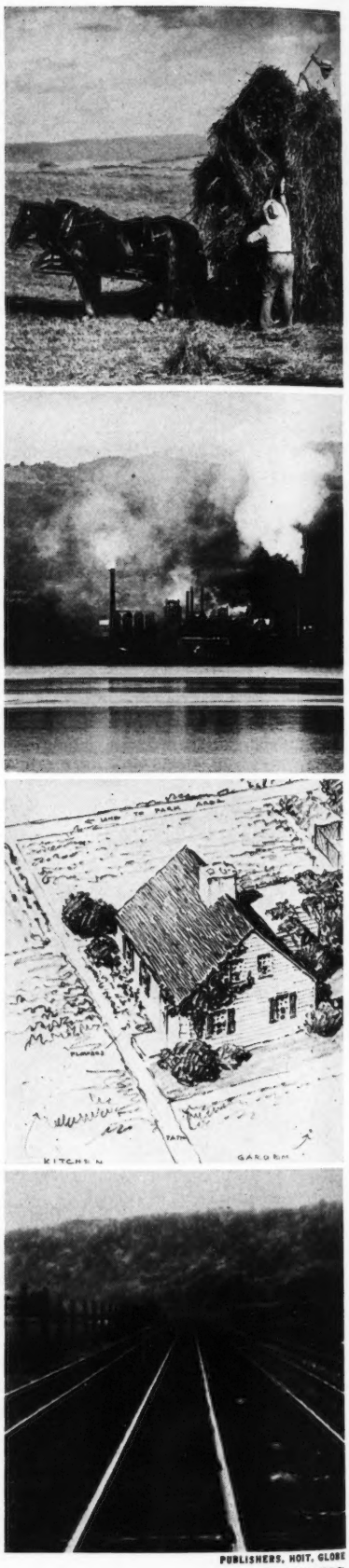
This, to my mind, justifies the conclusion that a reserve banking system, consisting of 12 distinct units whose operations, including the regulation of discount rates, may be adjustable to the economic factors peculiar to, or characteristic of, a given section of our wide and diversified Union, is much better for the general welfare than one central bank which would constantly be perplexed and involved in its efforts to prescribe uniform policies for the whole country.

A very practical example of the situations that arise in the face of an inflexible credit policy is the present condition of the credit supply in our "marginal" areas. The Government, through many of its agencies, has established a uniform rate of interest throughout the nation. These rates, for the most part, are based on lending policies adopted as a result of experience in the older and more stable communities, and as a matter of fact may be reasonably fair to the investor. But when this "yardstick" is applied to areas where the risk or cost of operation is greater, the return has been found insufficient to carry the load. The result has been that private capital, which must compete, has withdrawn from those areas and the Government agencies have been left as the sole source of supply; and they are finding themselves, largely because of political reasons, unable either to withdraw or to raise their rates sufficiently to cover the costs. Thus they are faced with the acquisition of a large volume of distressed property. Of course, if the Government continues to come to the rescue by inflation or grant, as it has done in many instances, notably on loans made on commodities and to cooperatives by the old Federal Farm Board, the situation will not be very obvious and can continue only so long as the Government can borrow the money and Congress is willing to appropriate it.

This statement of position is not meant to condone unconscionable interest rates that have existed and that still obtain, though in a constantly decreasing number of areas; but the fact remains that some sections of our country, as has been indicated, for obvious reasons justify a higher interest level, and it is the duty of government, both state and national, to *regulate* the business of lending therein, rather than to administer it.

CAPITAL WORTHY OF ITS HIRE

MAY I say here that I am not unmindful of the obligation of those who are in the lending business, particularly of banks, to be reasonable in their desire for profit. In years gone by, although the bank has had two classes of customers—depositors and borrowers—the borrowing class alone bore the entire cost of operating expenses and the payment of dividends to stockholders. This has now changed. With the installation of service charges which are presumed to reimburse the bank for services rendered to those who want their money taken care of, and since the abandonment of the unsound practice of bidding for deposits, bankers must make (and have, in most cases, long since made) appropriate adjustment in their lending rates. Present levels, however, particularly with respect to large-scale borrowing, Government borrowing not excepted, are neither fair nor in the end conducive to national recovery. Capital, like labor, is worthy of its hire. Both are vital and essential to business expansion and a national policy which discredits either or sows discord between the two is not pitched on the highest plane of statesmanship.



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¶ THE most casual survey of the situation will reveal that business and industry are not borrowing in any considerable volume because they cannot use the money. Many corporations and many individuals have large holdings of cash which are available for expansion when the business situation warrants it.

¶ There could be no possible reason for them to expand so long as present plant, equipment and inventories are, with few exceptions, adequate to supply the demands. Hence it is not expected that they will require credit in any considerable volume until they have exhausted their own cash resources and further expansion makes borrowing necessary.

¶ For banks to urge the borrowing of funds which cannot be used profitably, regardless of the interest rate, is unsound economically and, to say the least, is bad banking. As the need for funds on a sound basis arises, there will be no dearth of credit, and it will be available on the right terms. It would seem that the experience of the Government in this respect should be a fair criterion.

¶ Notwithstanding the authorization of loans to industry through the Reconstruction Finance Corporation, the Federal Reserve banks, and under both sections of the National Housing Act, and others, comparatively little has resulted in the nature of new credit, which should dispose of the idea that there is either any lack of credit facilities or that interest rates have as much bearing on the recovery program as has been accorded them.

At this point, it seems to me not inappropriate to express the conviction that no lasting improvement in our economic situation can be anticipated so long as the national administration continues to revile *en masse* that class of men—bankers and business leaders alike—who since the foundation of the Republic have been in the vanguard of that army of daring spirits which has, in cooperation with the citizens of these United States, produced the highest standard of living known to any nation in the world.

It is always a popular theme, the denouncement of those who possess wealth. And unfortunately, because there are just enough thieves and crooks in high places (even as there are thieves among those who are less fortunate) to make it plausible to people whose nerves are on edge and who are looking for some one to blame, the doctrine now and again finds ready response. Contrary to the impression created by those in official positions, in many instances themselves the beneficiaries of accumulated and honestly acquired ancestral estates, the great bulk of "money changers" are no longer abundantly endowed. If an "investigation" or "project" designed to review the actions of the preponderant majority of these "money changers" during the dark days were undertaken, it would disclose stories of self-sacrifice on the part of these trustees which would shame their critics. The great host of men who, from a sense of honor, have pledged themselves and their families to a life time of economic bondage are not quick to cooperate with any planners who either lack the knowledge or the fortitude to differentiate between the good and bad in business and financial circles.

As these same individuals endeavor to rehabilitate their communities, no small part of their desire for a reasonable profit in many instances is to redeem the very pledges they have made to repay losses that others may have sustained during the crash. And they are finding it difficult to compete with the Government.

The fact that the Government lending agencies are providing low interest rates on their advances to borrowers, presumably as a "yardstick", and at the same time are unable to make ends meet, rather confirms the premise that rates must be such as to find justification in lending experience. All of these agencies are the recipients of subsidy in one form or another; capital stock, free use of the United States mails, tax exemption, Congressional appropriations, et cetera. Moreover, many of them have not yet begun to feel the most costly result of their operations, namely, the expense involved in dealing firmly with their large and growing list of distressed assets, whose ultimate liquidation will require indefinite Government subsidy.

May I digress at this point to state, in fairness, that I have not, at any time, debated the social necessity for these Government lending operations during the crisis through which we have been passing. On that point I take the affirmative; but the purpose of this discussion is to show the effect of these activities on the interest structure, to point out that we should not fool ourselves as to their value as a permanent policy, and to advance reasons why these agencies should retire from the field at the very earliest opportunity.

LINE OF LEAST RESISTANCE

IF we accept the premise that the policy of charging low interest rates now being followed by Government agencies is not justified by "actuarial" experience, it is not difficult to draw conclusions as to effects of this policy on private lending, nor to understand the reluctance of private capital to take over the job. It is true that the policy has a tendency to break down interest rates as a logical consequence, but the adverse effect is to drive private capital from the field entirely. Obviously, if the wise investor finds that the difference between the going rate on private loans and the yield on Government securities is not sufficient to justify the greater risk and service expense on the former, he follows the line of least resistance, invests in Government bonds or guaranteed issues, and lets the Government continue to absorb the difference from the public treasury.

A regrettable corollary to this artificial situation is that the deficit in the public treasury will be met by the 50 million investors in this country—its most substantial group of citizens—who, at the same time, are being forced

to accept reduced rewards for their industry and thrift. One cannot help being concerned as to the ultimate effect of such an economy on our national character. To speak of the fear of want, the reward of thrift, the kind of social security which comes only through self-discipline and self-denial, is but to mention platitudes that appear no longer to have a place in our national thinking; and the continuous mass chastisement of those who try to accumulate wealth strikes at the basic attributes of good citizenship and does not augur well for the future.

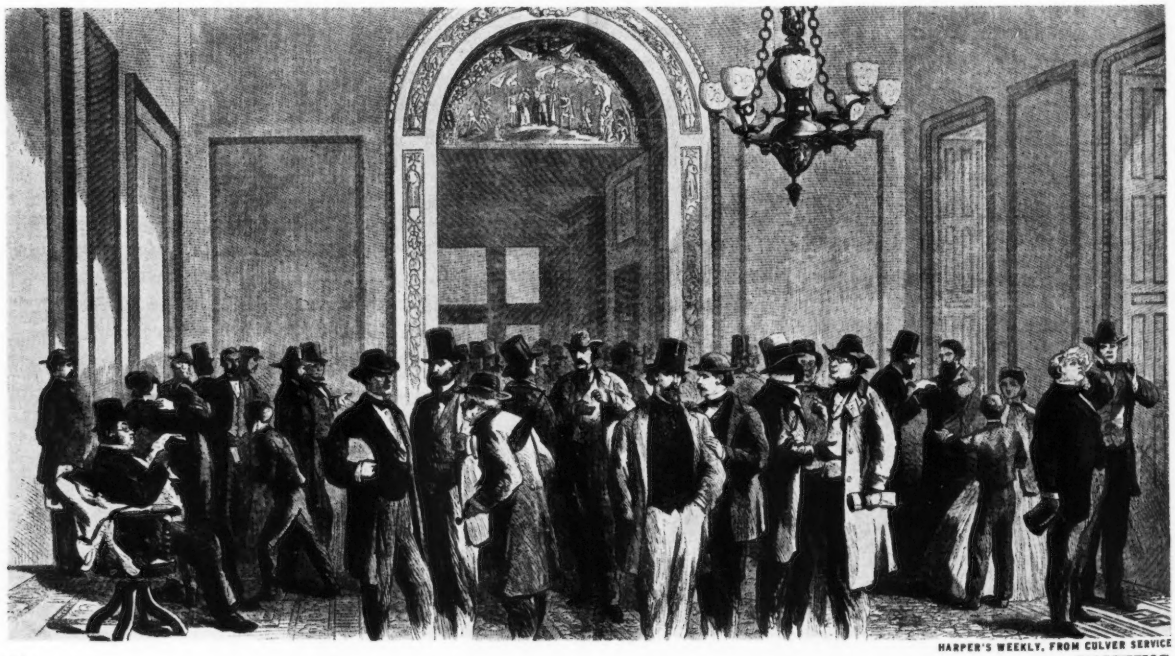
But not only are the effects regrettable; one of the motives, at least, is unsound—the motive, that is, behind the pressure for lending at low rates, which is the result of the desire to stimulate business by making a plethora of credit available at low cost. To an extent this works, and there is no disposition to minimize its effect, but the use of new credit follows and does not precede business recovery. The most casual survey of the situation will reveal that business and industry are not borrowing in any considerable volume because they cannot use the money. Many corporations and many individuals have large holdings of cash which are available for expansion when the business situation warrants it. There could be no possible reason for them to expand so long as present plant, equipment and inventories are, with few exceptions, adequate to supply the demands.

Hence it is not expected that they will require credit in any considerable volume until they have exhausted their own cash resources and further expansion makes borrowing necessary. For banks to urge the borrowing of funds which cannot be used profitably, regardless of the interest rate, is unsound economically and, to say the least, is bad banking. As the need for funds on a sound basis arises there will be no dearth of credit, and it will be available on the right terms. It would seem that the experience of the Government in this respect should be a fair criterion. Notwithstanding the authorization of loans to industry through the Reconstruction Finance Corporation, the Federal Reserve banks, and under both sections of the National Housing Act, and others, comparatively little has resulted in the nature of new credit which should dispose of the idea that there is either any lack of credit facilities or that interest rates have as much bearing on the recovery program as has been accorded them.

In the whole policy of Government lending there prevails an unorthodox situation which will have a very definite bearing on the interest structure of the future and which will make most difficult the ultimate retirement of the Government from the lending field. High delinquency records usually beget high interest rates, and low delinquency records, low rates; yet we witness the Government agencies consistently lowering their interest charges while their volume of distressed assets increases. No private agency could long survive granting such leniency as is practiced by these Government instrumentalities. More than 4,500,000 of our citizens are now indebted to these agencies—a sizeable voting block, the potential political strength of which is too obvious for comment. Within this group are hundreds of thousands of men and women who have done their honest best and are entitled to the utmost of consideration from their (CONTINUED ON PAGE 89)

IT'S AN OLD CUSTOM

"No political administration, however well-intentioned, can supply those restraints and restrictions so necessary to sound credit practices without incurring the ill-will of the voters who borrow from it, and thus it is persuaded to follow the line of least resistance." Below, members of the "pressure groups" that infested the House of Representatives lobby some 75 years ago



HARPER'S WEEKLY, FROM CULVER SERVICE

Congressional Barometer

Washington, D. C.

HOWEVER definite may have been the plans of the congressional and Administration leaders for a session of Congress both short and sweet, the chief characteristic of the present session is likely to be its rather cheerful indefiniteness, both in length and quality.

Indefiniteness, indeed, has been inevitable in the general political and economic situation. It led the President to submit a budget message which made no provision for direct unemployment relief of any sort or by any method, postponing this, the most important feature of the entire legislative, economic and political situation, to a later date. In March, perhaps, or April or May the matter can be taken up with more assurance as to what the country needs, what it wants and what may be possible under Government agency reorganization made necessary by decisions of the Supreme Court.

It is very doubtful, indeed, if the matter of direct relief for the next fiscal year, through the states or otherwise, can be finally determined until well toward next Winter, and any appropriations this Spring will be more or less preliminary or tentative. The actual working results of the present W.P.A. program cannot be known until well toward the close of the present fiscal year. The state of business and reemployment cannot be known until well towards Autumn, when the impact of the pending national election can be measured. Requirements for direct relief next Winter can be little more than a guess, unless a national policy can be determined upon which will end or tend to end national contributions for relief purposes. Determining such a policy under present political conditions without partisan bias is practically impossible.

Even in the matter of the "ordinary" budget there is great uncertainty. One reason for this lies in the fact that, in line with announced Administration policies, important appropriations heretofore carried on the special or emergency budgets have been transferred to the "ordinary" budget as permanent public undertakings. These include a materially reduced appropriation for the Civilian Conservation Corps and the enlarged appropriation for the A.A.A. as recurring annual expenditures. Since appropriations for agricultural adjustment have been based on processing taxes, the Supreme Court decision entails a direct draft upon the Treasury for whatever expenditures the Government assumes under the new agricultural relief scheme. Its proposed obligations under the A.A.A. for next year totalled $547,000,000 and it is improbable that new plans will reduce this outlay materially.

Legislation passed by Congress in last year's session calls for much larger appropriations on regular or recurring account. The Social Security Act, Railway Retirement Act and similar laws are expected to cost $120,000,000 more than they will bring into the Treasury. All such civil departments and agencies lift the estimates by over $300,000,000. The cost of national defence is increased in the estimates by nearly $200,000,000, and there are those in Congress who propose to augment the estimates. Veterans' pensions and benefits give another lift of over $70,000,000 as compared with the current year.

The increase in the service and retirement of the public debt is over $90,000,000. An increase of $520,000,000 over the estimates of the present year is allotted for contingencies and supplemental items. On the other side of the ledger, over $400,000,000 is cut from the C.C.C. appropriations and approximately $1,800,000,000 is cut from the allowances for recovery and relief aside from direct relief yet to be provided for. An increase of about a billion and a quarter dollars in revenue is anticipated.

Altogether the estimated deficit was to be $1,098,388,720 as compared with an estimated deficit of $3,234,507,392 for the cur- (CONTINUED ON PAGE 59)

Thumbs Out!



HALLADAY IN THE PROVIDENCE JOURNAL

A Memorandum on Bank Shares

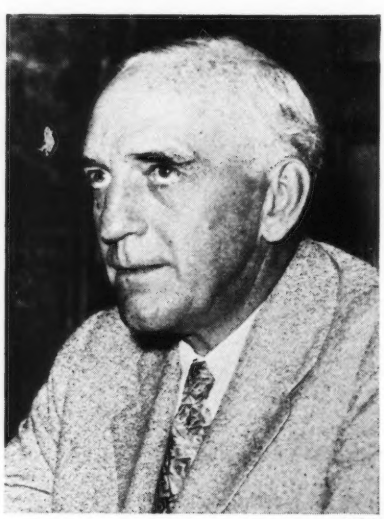
By FRANKLIN W. FORT

THAT part of the assets of any bank not needed to cover its liabilities belongs to its stockholders. Traditionally—and by law—this sum, whatever it be, is set up in three items: (a) capital divided into a definite number of shares of a fixed par value, (b) surplus and (c) undivided profits and unneeded reserves. Since the emergency banking act, national banks have been permitted to have two classes of capital —preferred and common—and in practice many banks have two classes of preferred stock as well as common. All of these classes of stock are required by law to have a par value. In setting up a statement, therefore, the bank may assign to surplus or undivided profits only that part of its assets exceeding the total sum reached by multiplying the number of shares of stock outstanding by the par value of each share.

It is perfectly obvious to anyone who has studied the situation of any considerable number of banks in the past two or three years, and who is familiar with the terms on which the Reconstruction Finance Corporation has taken preferred stock A in many banks, that the common stock and, in many cases, the second or B preferred, is absolutely valueless on any intelligent basis of accounting. Such banks are forced to choose one of two alternatives. Either they may set up an entirely fictitious, and thus misleading, sum as capital, or they may show each class of stock separately, attributing little or no value to the preferred B and common stock. The effect of this latter method is completely to destroy any good-will the bank has in the community and to frighten depositors away from it.

It would seem sounder practice to avoid giving to directors only these two alternatives. This can be accomplished by permitting any or all classes of stock to be no par. In this case the bank could set up a single figure opposite the caption "capital", which figure would total the exact sum the directors saw fit to assign to this heading with the approval of the Federal Reserve bank, the Comptroller or other supervisory authority, and the rest, if any, of the bank's assets over its liabilities could be carried to surplus or reserve account.

Let us take the case of a bank with 40,000 shares of preferred A, 40,000 shares of preferred B and 40,000 shares of common, all of the par value of $25. Such a case would customarily be set up to produce the capital figure of $3,000,000. If the bank is to have any success in business, it will also have to show some surplus, undivided profits and reserve items. Let us assume, as is not infrequently the case, that after proper allowance for reserves the actual condition of the bank is that it has not over $1,250,000 of real capital. It would seem a far sounder and less deceptive accounting system if the bank were permitted, by virtue of having no-par stock, to set up its statement showing capital consisting of 40,000 shares of preferred A, 40,000 shares of preferred B and 40,000 shares of common extended at $1,250,000, with the rest of the $3,000,000, previously shown as capital, carried to surplus, undivided profits or reserves.



U. & U.

On this type of accounting it would be possible for a bank to show some progress, where if the capital is erroneously stated in the beginning it will be hopelessly long before any gains can possibly be accomplished. The Reconstruction Finance Corporation, as the largest bank stockholder in the country, is vitally interested in the success of the banks in which it holds stock. The step here suggested will make for better accounting and will more quickly put the banks in which the Reconstruction Finance Corporation is interested in a sound position.

There is another standpoint from which this step is imperatively needed. It is an absolute certainty that many mergers of existing banking institutions must take place before our banking structure is thoroughly sound again. No merger can take place without the vote of the stockholders of both institutions. If a sound bank with, let us say, a million dollars common capital is going to take over a bank which has no actual common capital, it must have the assent of the stockholders of the weaker institution. It is obvious that their vote could not be secured, nor would the banking situation be improved, by a public announcement that they were to get no stock in the stronger bank for their certificates in the weaker one. This would be notice to all the world that the bank was insolvent, and it would doubtless be closed before the merger could be completed.

Even if this did not happen, the stronger bank would become an object of local suspicion immediately, because it had taken over a bank whose impairment had been thus advertised. Consequently, the stronger bank must give to the stockholders of the weaker something in exchange for their certificates. Under the present system with par values, this would necessitate the stronger bank's transferring from surplus to capital account as a part of the

THE AUTHOR

Mr. Fort was a member of the Committee on Banking and Currency in the House of Representatives from 1929 to 1931. He was the first chairman of the Federal Home Loan Bank Board and has been president of the Lincoln National Bank, Newark, New Jersey, since its organization in 1924

merger enough money to represent the par value of the certificates given the stockholders of the weaker bank. If, however, the stronger bank could create no-par stock leaving its stated capital as theretofore, it could make a tender of some sort to the stockholders of the weaker bank in recognition of the value of its good-will and of its established deposit accounts—neither of which are properly capitalizable items.

There are very many situations where some such plan is essential for the absorption of banks whose overhead is too great in proportion to their deposits and which have so great a proportion of their total assets in the "banking house and fixtures" account that if they were to be liquidated by the Federal Deposit Insurance Corporation they would bring a loss to that organization. If taken over, however, by an existing local bank and operated as branches, many of them in time, with good management and lessened expenses, would work out quite satisfactorily.

So long as the assessment liability existed as a principle in relation to bank stock, sound objection might be raised to this proposal. Now that that has been abandoned, however, the objection no longer applies.

It may, incidentally, be added, however, that the plan here suggested will help to avoid what otherwise might prove to be a pitfall for many reorganized banks. The law now permits a bank to lend 10 per cent of its capital and surplus to a single borrower. In the illustration above given of a bank with $3,000,000 nominal capital but actual capital of only $1,250,000, the legal lending limit based on the capital is $300,000, or 24 per cent of the actual capital of $1,250,000. If the difference were thrown into reserves or used for write-offs, as it should be, the legal lending limit would become a really effective thing to accomplish the purposes for which it was intended.

At the same time that these changes are made, the National Banking Act, and the laws of such states as require it, should be amended to permit the issuance of convertible preferred stock. There are many situations both in present banks and in possible mergers where the creation of a sound institution would be facilitated if it were possible to offer to stockholders whose interest represented something more than a mere hope for the future a preferred position coupled with a chance of substantial enhancement if the bank succeeds.

Interior Design as a Factor in Public Relations



GRAEFF

Hugenot National Bank, New Paltz, New York

East Broadway Branch, First National Bank, Louisville, Kentucky



HESSE

A Small Bank's Small Loans

GOVERNMENT COMPETITION

WE BANKERS have not been making all the loans we could or should make. We are losing entirely too many good loans, not only to the various lending agencies sponsored by the Government but also to the finance and small loan companies. The business of lending money justly belongs to the banks, but the bankers have let too much of it get away from them. If we want this business, we must not only advertise for it but must also make other efforts to secure it. Otherwise the business we have lost during the past few years will not only stay where it is but we will lose an even larger share of the loans that we now have. The day has passed when the borrower is coming to the bank to beg for a loan. If we want loans, we must seek them, whether they are collateral, real estate or monthly payment loans.—The Author

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WE STARTED in this field, frankly, because we wanted to make money. We can recommend it to bankers operating under similar conditions for this same purpose. A good deal can be said for personal loans from the standpoint of service to the community and as a good-will builder, but we were primarily actuated by the profit motive, although the opportunity to help build good-will among our customers had its bearing upon our decision. In common with most other banks, we have seen the volume of our loans greatly reduced and the yield on our bonds approaching the vanishing point. We are afraid to buy long term bonds and cannot make a reasonable return on the short term ones. We have a large surplus of idle funds and no one to whom to lend them.

A great many people who formerly borrowed from banks are now going to various sorts of loan agencies. Motor cars, radios, ice boxes, refrigerators, washing machines, furniture and other goods are being sold on monthly payment plans and financed independently of banks. We have felt that a great many of these purchases were so financed because the borrower considered the monthly payment plan fitted to his income, and because he was either unaccustomed to borrowing from a bank, or had no collateral of the sort he supposed a bank would require.

The elder J. P. Morgan's much quoted statement about character as the essential requisite for credit is familiar to all of us, and country bankers are all familiar with "character" loans. We felt that what was needed was to let the public know that we were now making loans to those with fixed or reasonably fixed incomes, without any pledge of tangible security, on the condition that they make regular payments as they receive their income. This does not mean that anyone who needs money can get it by coming to our bank and signing his name. The qualification respecting regular income will, indeed, exclude nearly everyone except salaried (or perhaps professional) people. Others may, or may not, be good credit risks, but they do not fit into the workings of this sort of plan.

No longer can we base our loans on collateral only, as a man's character, habits and earning power all have a bearing on the matter. There are a good many salaried people whose earning power and general reputation entitle them to a reasonable amount of credit, but they do not have the tangible assets that banks have usually required.

We had all of the necessary forms, such as application blanks, loan cards, notes, passbooks, deposit tickets, etc., printed on a distinctive, colored paper to distinguish them readily from our regular loan forms. In announcing to the public that we were installing this new department, we secured the cooperation of our local newspaper, in which a story appeared, later followed up with a series of ads. We next secured a large prospective list to whom we mailed pamphlets explaining how a salaried person could borrow from our bank.

When a prospective borrower makes an application for a loan, he is given a blank to fill out, showing his age, address, his total income and that of his immediate family, where he works, how long he has held his position, where he formerly worked, number of dependents, and a list of his assets (such as home, furniture, car, stocks and bonds, etc.). Also, it gives his total liabilities, total monthly payments due for rent, car, furniture, etc., and the names of four places where he has credit. He also gives the names of three proposed co-signers, of whom we select the two we prefer.

When this application is returned to us, we tell the prospective borrower to come back later that day or the following day. We check up on his statements through the merchants with whom he has had credit and through our local credit bureau. Then, if we consider the borrower and his endorsers satisfactory, we make the loan. If he is married we require his wife to sign the note also.

We issue a passbook to the borrower, which shows his name and the date and amount of his payments, to be used when he pays his instalments. They are not made at our discount window but at one of our tellers' windows, and are not credited on the note but on a special account, which we call "Savings Account No. 2" on our general ledger. This account is pledged as security until enough money has been deposited to

By J. P. HUSTON

Cashier of the Wood & Huston Bank, Marshall, Missouri

SOME eight months ago the Wood & Huston Bank, which has a capital of $100,000, deposits of $1,500,000 and is located in a town of 8,200 in central Missouri, started a personal loan department. This is, of course, not a novelty in the banking world, but our experience may be of interest in showing how this class of business can be handled in a country bank. We knew that it had already been a success in larger cities and saw no reason why it would not work in our own bank. We have found that it works even better than we anticipated.—The Author

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take up the loan. We discount the note 8 per cent for the full length of time the note runs. For example, if the amount of the loan is $100 for one year, we discount it $8.00 and the borrower is paid $92. His payments are then $8.33 per month for 12 months or until $100 has been paid. These notes are filed in a note case separate from our other notes.

We have a card index for these loans. For each there is a card showing the name of the borrower, where he works, the names of the endorsers, the amount of the loan, and the amount and date of the monthly payments. The first half of this file is divided from 1 to 31 (days of the month) and the last half is divided alphabetically. The last day of each month the cards are removed from the alphabetical file and filed according to the day of the month on which payments fall due. As the payments are made, the cards are taken out of the numerical file and sorted back into the alphabetical division. By following this system, we can very easily tell on each day of the month just what payments are due. Of course, the cards are left in the numerical file until the instalment is paid, so that they serve as a constant notice of any past due payments.

The volume of loans in this department has exceeded our expectations, and we have very little trouble keeping the payments up to date. We have been very agreeably surprised at the amount of interest this department is bringing in. Losses to date have been negligible.



KEYSTONE PHOTOS



The Annual Budget

By **LAURANCE ARMOUR**

President of the American National Bank and Trust Company, Chicago

THIS attempt to set down information for experienced bankers regarding operating budgets for banks is undertaken with some misgivings.

There are many reasons for these qualms. Our bank is comparatively new and could scarcely be considered a seasoned criterion for general banking practice. Budgeting of income, at least, is said to be a radical departure from customary banking practice, and therefore a likely subject for controversy. Successful banks have operated happily over a long period of years without a budgeting system. But, to the increasingly numerous questions which come from many banks regarding our success in operating on a budget, I make bold an answer, feeling that a cold recital of facts may not be construed as too much an offer of opinion.

Previous experience constantly influences our acts. Since many of our staff, myself included, have at one time or another been connected with manufacturing or commercial enterprises, it has been a policy of the bank to bring into banking practice modern business practices which have proved profitable in other lines and which are applicable to banking. One of the prime essentials in a manufacturing or even a mercantile establishment is the operation of that business on a budget basis—to conduct it by a predetermined plan affecting both expenditures and income in order to avoid losses and to assure profits.

In any enterprise, the setting up of a budget is to some extent a matter of trial and error. Certain factors are well known and may therefore be set down accurately. Others have wide variations and only by careful planning and analysis can a reasonably accurate figure be obtained. But wherever past records are available, it is possible to come surprisingly close to the true figures. In manufacturing, of course, your estimates are likely to be pulled out of line by price fluctuations in various raw materials and by sudden and violent shifts in competitive situations and in consumer tastes or desires. But over a sufficiently long period of time it is possible to budget costs as well as income and find them reasonably accurate.

In undertaking the establishment of a budget in the operations of the American National Bank and Trust Company, the experience of department heads enabled us to set down, with considerable accuracy, departmental expense estimates. The size and probable fluctuation of certain cost items were well known. Overhead costs were distributed as equitably as possible over the various departments. But in a growing institution such as ours, it was, of course, difficult to determine accurately in advance such items as the additional personnel which was going to be needed by the various departments, how much additional banking space would be necessary, and what the cost of necessary additional equipment and material would be. Nevertheless, we proceeded to establish our cost figures, based almost entirely on estimates.

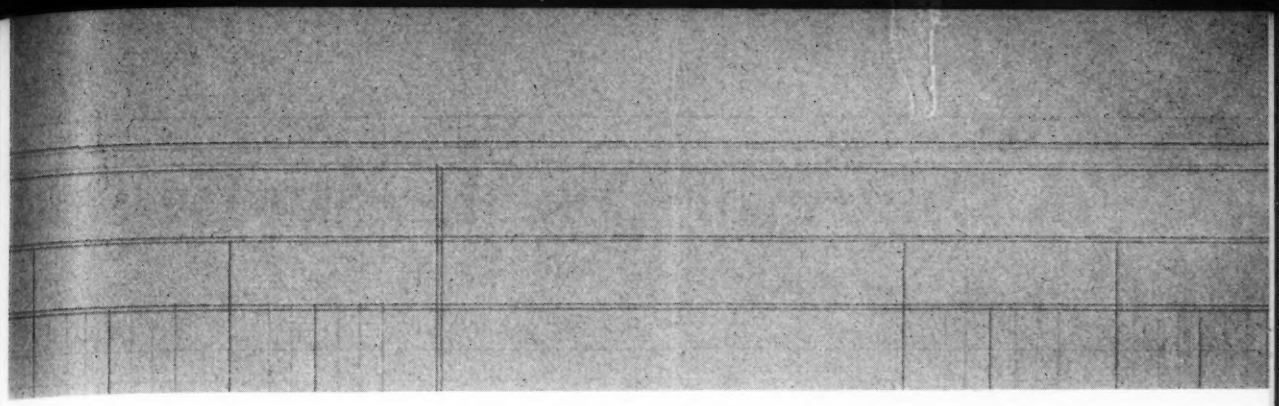
Next came the task of searching out the unknowns, or what we thought were unknowns—estimating probable earnings. If estimating costs was difficult, budgeting income was even more involved. We adopted the procedure of making income budgets for each department of the bank whose operations were revenue-producing operations. Here again, the prime requisites of flexibility and mobility were made a part of our basic budget plan. We had to be able to adjust our figures at any time and for any reasonable cause, and yet maintain a more or less rigid control over them. We didn't want to find ourselves in a strait-jacket when common sense suggested a very flexible garment.

The commercial department income was budgeted first, and, what is very important, a definite program of increase was established. This increase was broken down by months and weighted with respect to its seasonal and other fluctuating characteristics. The probable income was based, in part, upon anticipated yields of securities which we expected to add to our portfolio as the year progressed. Many times it was necessary to revise our figures for the commercial department. But the revisions were all a part of the predetermined plan and were therefore not unexpected.

It became obvious that at certain times during the year it was going to be necessary for us to add to the personnel of the commercial department if the gains which we anticipated were to be forthcoming. Naturally, as increases occurred in revenue, we felt quite justified in adding to the expense of operating the department; and, therefore, the budget figures, both for the income and the expense, were based on constantly increasing amounts for the year.

GRATIFYING

AT the end of each month it is now possible to determine, with gratifying accuracy, first, whether we are increasing at the rate anticipated; second, if the cost of the department is increasing at a proportionately faster or slower rate; third, if adequate profits are obtained. The figures used in this determination do not take into consideration any realized appreciation in the value of securities held by the commercial department, or any other unusual sources of income, such as special loan recoveries. Nevertheless, in our budget, definite reserves are set up, calculated to guard against possible



depreciation in security and loan values.

The same type of budget — controlling income as well as expense — is established for each of the other departments. As is customary in most institutions, it has been necessary for us to distribute salaries of certain individuals over more than one department. However, the records are accurately charted in order that we may know at any moment if the department is increasing in overhead at a more rapid pace than it should, whether each department is maintaining its anticipated growth, or if departments are falling behind. Whenever either income or expense gets out of line — too high or too low, in relation to our estimate — we do something about it. And we have found that cutting expenses is not by any means our chief activity in this connection. For having our eye upon a goal for income, we find it possible frequently to push income well over the goal line, and quickly set about to consolidate and fortify our newly gained ground.

"Windfalls", of course, occur occasionally, and they have a disturbing tendency to distort figures. Sometimes a large, unanticipated piece of business comes in which was not included in our budget and which produces for us a good income. In some departments, these "windfalls" will be maintained and will remain a source of revenue for a period of years. In others, however, they supply an increased volume for short periods only. It has been our policy to include these "windfalls" in the budget, finally, but to weight them as accurately as possible in subsequent budgeting periods, giving them only the value they will have in the long run.

As stated, the establishment of any budget is to a very great extent a matter of trial. We found at the end of the first year that our figures as set down had proved quite accurate and that we would be in a position to estimate our growth for the second year with fair accuracy; but we found that we would often miscalculate as to the particular months in which the important increases would occur. Some of these variances we could not possibly have foreseen. Others, however, resulted from the fact that when we found ourselves to be behind in the estimated program of a department we did not know how long it would take us to bring it up to the line. Frequently added pressure was brought to bear on individuals in the department.

At other times, it was deemed wise to give the department the benefit of our promotion activities. We applied any and all means any other active bank — or business enterprise — would apply to correct an obviously untoward situation. It is an interesting fact that at no time, when the budget figures showed us lagging in a certain department, were we unable, in the following two months, to bring it up to the plotted position. So that is the pace we have set with regard to putting a lagging department on an even keel — giving us a double check, as it were, upon the efficiency of the cure as well as upon the cause of the illness.

Unless business firms are in a position to determine quite accurately in advance their production costs and their sales, it is almost impossible for them to establish the prices which it is necessary for them to obtain. While banks are in the position of having uniform charges and can avoid the necessity of establishing prices for commodities, profit or loss nevertheless depends upon volume in relation to cost, as in any business.

Budgets for banks must be made from a viewpoint basically different from that used by manufacturing firms and a bank's budget is extremely involved from many standpoints. But it is our firm opinion that the growth of the American National's resources from $16,000,000 to $36,000,000 in two years has been due partially, at least, to the fact that we are quickly able to determine the rate of progress made by various departments. We are, therefore, able to rectify, at an early date, any conditions which seem to be hampering us. No ailment is allowed to become chronic. The medicine bottles are always filled and ready on the shelf. And we aren't afraid to use them.

The budget for our first year formed a very excellent basis for planning the following year's operations. Although there was some division of opinion among executives regarding our ability to establish a budget at all, and many did not expect to find it eventually to be of much value, it is significant that when our budget for the second year came up for discussion there was not one single dissenting vote by any officer. We find the budget data in daily use not only by individuals who have had outside business experience prior to their banking experience, but also by those who have had only banking experience; and we find that these latter would now feel seriously handicapped without the guidance afforded by a budget.

The warning should go out to all that what American National has done in budgeting may not work in other institutions. But we can't suggest any reasons why it shouldn't unless it be in the case of operations so vast and varied that the task would be mountainous, the problems insurmountable. Still, we feel that what we ourselves have begun in the way of budgetary control will be a part of our business when we are much larger than we are today. — The Author

An Ounce of Loss Prevention

IT is conceded that it is practically impossible to invest or lend money in any volume without incurring losses. This being true, losses must be looked upon as part of the expense of operating a bank. The problem, then, is how to control them as other expenses are controlled. That they can be controlled is proved by the wide difference in the percentage of losses to earning assets suffered by different banks. To illustrate this fact, two banks from each of eight different localities are here compared:

BANK	*10-year average percentage of losses to earning assets*
A	2.76
B	.61
C	1.59
D	1.57
E	.63
F	.92
G	.67
H	.29
J	.50
K	.89
L	1.32
M	.04
N	1.06
P	1.39
R	.73
S	.68

Banks "L" and "M" were located in the same city within a few doors of each other. As will be noticed, Bank "L" had a percentage of average losses to average earning assets for a period of 10 years amounting to 1.32 per cent of such earning assets. Bank "M" averaged only .04 per cent during the same period. This means that Bank "L" suffered proportionately 33 times as much in losses as did Bank "M". Bank "L" had deposits of $6,965,000 and Bank "M" deposits of $7,801,000. Bank "L" required additional capital and refinancing in 1933. Bank "M" did not.

An analysis of the operations of the two banks for the year ended December 31, 1934, shows the reason to be entirely attributable to the net losses. In the table below is given a recapitulation of these analyses using the 10-year average percentage of losses.

As will be noted, Bank "L" had a higher gross earning rate than did Bank "M". Yet the net earning rate after losses of Bank "M" was more than 1 per cent higher than in Bank "L". The cash reserve rate to total deposits was much the same in both banks. Therefore, reducing the net rate on earning assets to the percentage of deposits practically maintained that ratio.

The percentages of interest paid and expenses to total deposits were also practically the same in both banks. As a matter of fact, the scale of salaries in Bank "M" was higher than in Bank "L". Yet Bank "M" showed an operating profit of $62,752.41 for the year 1934, whereas Bank "L" showed a loss of $5,685.92. Bank "M" not only had well defined investment and lending policies but also a very definite policy for the collection of loans written off the books.

On page 29 is a table taken from the published reports of the Federal Reserve banks showing the percentages written off the books of all member banks for the 10 years ended December 31, 1933. These percentages are the loan losses to loans and discounts, the investment losses to investments, the gross losses to both loans and investments, and the net losses after recoveries to loans and investments.

It will be noted from this table that the amount of recoveries has been small, averaging less than ⅕ of 1 per cent until 1932 and 1933. Unfortunately, it was impossible from these reports to break down the recoveries as between recoveries from loans and the bond depreciation. However, it can be taken as a fact that the increases in recoveries for 1932 and 1933 were attributable to the upturn of the bond market.

Frequently when loans have been written off the books little further attention is paid to them. Of course there are those cases where a borrower has absolutely no assets and therefore no collection is possible. But this is not always true. Often large amounts due from local residents have been written off, and yet those borrowers still continue to "live in the style to which they have become accustomed" with apparently no curtailment of their expenses or of their business.

Such loans are not going to be collected if they are forgotten. Also they are not going to be collected without a considerable amount of work. Otherwise they would never have reached the stage where it was necessary to charge them to the undivided profits account.

If loans are written off merely because the borrower claims inability to pay, it becomes a very easy matter for some to liquidate their liabilities. A case in point will illustrate this. A borrower had two loans in a bank, one for $60,000 and one for $25,000. The $60,000 loan was made on so-called collateral, the market value of which had decreased to around $10,000. The $25,000 loan was a first mortgage on a small hotel. This particular borrower made an arrangement with the bank whereby he was to keep up his interest payments on the $25,000 loan at 6 per cent. If he made these payments promptly he would only have to pay interest at the rate of 1 per cent on the $60,000 loan. In addition the bank would charge off the sum of $5,000 from that loan.

After the first month or two of payments the borrower became aggrieved.

COMPARISON FOR YEAR ENDED DECEMBER 31, 1934

	BANK "L"	BANK "M"
Gross earning rate on earning assets	4.80%	4.54%
Losses to earning assets (average of 10 years)	1.32	.04
Net earning rate after losses	3.48	4.50
Reserve rate to total deposits	10.64	10.78
Earning rate to total deposits	3.11	4.01
Interest and expenses to total deposits	3.19	3.21
Net income to total deposits	—.08	.80

He felt that he was not getting a square deal. He thought the bank ought to write off considerably more than $5,000 because he claimed that it was not the bank's money and that he had as much right to that money as any one else.

It is interesting to analyze why a borrower should take an attitude like that. Is it not really because the bank itself did not stress the necessity for repayment at the time the loan was made? Bank "M" has such a policy. It always emphasizes payment when making a loan. Its question to the borrower is "How do you expect to repay?", not the question so many lending officers ask borrowers, "How long do you want it for?".

This bank also has a very definite policy of follow-up of all past due payments. It does not content itself with merely sending out the notice 10 days in advance and then allowing the borrower to stroll into the bank a few days, or a week, after maturity with some excuse as to why he could not get there before.

Immediately a note falls due it is charged to the matured notes, which is a separate general ledger control. The matured note files are in charge of a man employed for that purpose. It is his duty to get in touch immediately with the borrowers and ascertain why they have not been in the bank. This man is also in charge of the collections of notes written off. A definite record is kept of all such notes and reports are made thereon to the directors at each of their meetings. This report gives the name of the borrower, when he was last interviewed, the result of the interview, and an opinion as to possible collection.

Many plans have to be adopted in order to meet the requirements of different cases. Ingenuity is required. To illustrate, when the bank started the present method a large number of "farmer notes" for amounts ranging from $50 to as high as $1,000 had been written off the books over a period of years. These farmers, however, were practically all continuing to operate their farms.

The bank's representative visited these borrowers. Before calling on them he was given a full history of each case—when the amount was borrowed, the number of times the note had been renewed before it had been charged off, any payments that had been made, and the purpose for which the borrower stated the money was to be used.

The method he employed was to start the conversation with other matters and then to bring up the subject of the note. While discussing other subjects he would be keeping his eyes open. He might, for example, see a couple of hundred chickens. When the farmer offered the almost invariable excuse that he did not have the money the bank's representative would say, "John, you don't need 200 chickens. Why don't you sell 150 of them and pay that much on the loan." Or he might see that there was discarded machinery around or live stock which could be sold. It was really surprising how much was collected on loans which had been written off and practically forgotten by the bank.

PERCENTAGES OF LOSSES TO LOANS AND INVESTMENTS OF ALL MEMBER BANKS OF THE FEDERAL RESERVE SYSTEM FOR 10 YEARS ENDED DECEMBER 31, 1933

Year Ended December 31	*Loan Losses to Loans and Discounts*	*Investment Losses to Investments*	*Gross Losses to Loans and Investments*	*Net Losses after Recoveries to Loans & Investments*
1924	.69	.41	.72	.53
1925	.62	.40	.65	.44
1926	.57	.40	.67	.50
1927	.54	.38	.64	.48
1928	.49	.43	.63	.48
1929	.54	.94	.83	.65
1930	.78	1.05	1.03	.90
1931	1.36	2.52	1.86	1.69
1932	2.41	2.59	2.73	2.33
1933	3.29	2.85	3.44	2.93

SELL THE IDEA

THE representative in question did not take an antagonistic attitude but rather sold the farmers the idea that it was good business for them to pay their loans, that, after all, the money they had used was not the bank's money but belonged to the depositors, that such depositors were his neighbors and that the bank was merely acting as a go-between.

This simple matter illustrates quite forcibly the basic underlying principle of collections. It is agreed that the collection of losses written off really is locking the stable door after the horse is stolen and that the time to make collections is before the loans are made.

One very good manager of a personal loan department uses the following system on all personal loans. Instead of allowing the borrower to cash the check at the teller's window, he has the borrower endorse the check at his desk and the money is brought to him. Before giving the borrower the cash the manager holds it at his side of the desk, then looking the borrower squarely in the eye says something like this: "This money belongs to our depositors. We are lending it to you because we believe you to be honest. We believe that you will live up to your word and will repay us $20 on the 15th of each month. If you do not pay it promptly our responsibility to our depositors makes it necessary for us to resort to every means in our power to make you do so. We sincerely hope that you are not going to make it necessary for us to resort to such extreme measures."

Experience has proved that this has had a very good effect. Although that bank makes an average of seven personal loans per day and the department has been running for more than two years, there have been no charge-offs.

It must be remembered that all loans are considered good when made. Certainly no bank would make what it knew was a bad loan. Therefore losses are good loans gone bad. Aggressive action taken at the first maturity would in all probability have avoided losses even if the loan had been questionable when made. Such loans can be detected and avoided if the basic principles of lending policies are adhered to.

These principles are, first and foremost, that character and ability to pay are worth more than collateral. This is proved by the fact that the large losses in loans come from the so-called secured rather than the unsecured loans. The second is that following this same thought the operating statements of a business or- (CONTINUED ON PAGE 56)

METHODS AND OPERATIONS

EACH month BANKING publishes the best available information on current problems of administration. The purpose is to furnish timely management counsel which can readily be adapted to the needs of individual banks. Discussion is invited on subjects considered.

Forgery in Typewritten Wills

By SAMUEL SMALL

Brooklyn Trust Company

ALTHOUGH the authenticity of a will is a legal question, the trust officers of banks and trust companies which have been appointed executors under wills, or which are otherwise concerned in the settlement of estates, often have opportunities to offer helpful suggestions to lawyers regarding methods of detection whenever fraudulent alteration is suspected. Both the pecuniary and good-will value of prompt settlement of litigation involving wills is considerable, and the services of the typewriter expert may sometimes put an early end to what would otherwise be a long and expensive legal contest.

FORGER'S DELUSION

THE use of the typewriter in making wills has increased attempted fraud in such documents. The chief reason for this has been the fact that, while forgers know that each person has an individual handwriting, the typewriter has been judged to have no individuality at all. If the altered or added portion of the typewritten will approximates the genuine part in color or shade, it is believed that detection will be impossible. Uniformity of shade or color may deceive the average individual, but to the trained eye there are many other characteristics that may easily identify fraudulent addition or alteration.

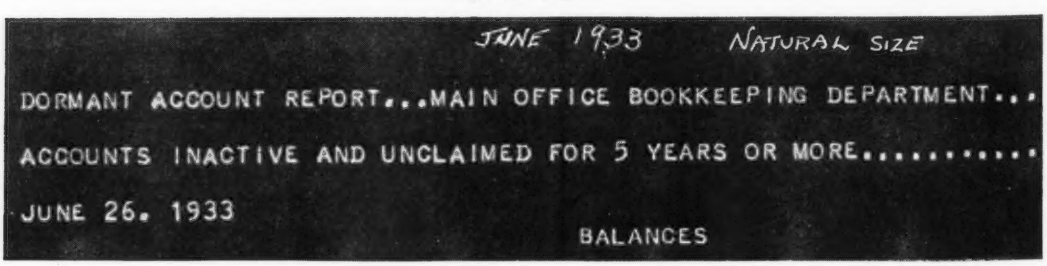
The manufacturers of various typewriters have until recently given very little thought to whether it would be possible to identify a piece of typewriting from a particular brand of machine. Theirs has been only the thought of improving the appearance and serviceability of typewriters. Inasmuch as the great majority of wills are written on the typewriter today, it has become necessary, in order to prove frauds, to gather a mass of information as to the correct identification of a sample of typewriting, such as the make of machine used, what particular machine was used, and the approximate date of the writing. Sometimes a questionable paragraph or page of a will comes before the court. Heirs whose interests are jeopardized should know that typewriting can usually be identified as being the performance of a definite typewriting machine, and that the date of the typewritten will can be proved consistent or inconsistent with the date it actually bears.

In typewritten wills it may be a matter of importance to learn whether the entire will was written continuously on the same typewriter. If the letters and figures on the suspected portion, when put under the magnifier, show more wear than on the genuine part, it is sufficient proof that the suspected portion was written on a later date. A will bearing a certain date may be totally inconsistent with the writing of machines in use at this date and thus be proved fraudulent.

A certain typewriting may be traced to an individual by study of such matters as habits of punctuation, pressure of touch as evidenced by marks on the reverse side of the sheet, and spacing generalities or peculiarities. Important, also, are oddities in the use of letters and other characters. Data have been compiled with the aid of typewriter manufacturers showing that many typewriting characteristics have an actual date significance.

This date significance has been a very important element in the exposure of fraudulent wills, some of which were proved inconsistent with the dates they bore. To demonstrate that a will could not have been written on the date it bears, because typewriters of that particular style were not as yet produced, is more than adequate proof of forgery.

Even if a forger knows that certain typewriters were not manufactured before certain dates, he cannot necessarily deceive an expert. Changes and improvements are constantly being made in typewriters, and herein lies the date significance. For, though the







Above: In each pair the letter at the left was typed in June 1933; the other is the same letter after 29 months' wear. Right: An enlarged word written on the same typewriter in June 1933 (top) and November 1935

date on the forged will might correspond to the approximate date this make of typewriter was manufactured, the chances are that it will not agree with the actual changes and improvements which have been effected on this make in the years following its creation. Many changes have been made and are continuously being made on typewriters. The important ones are the size and design of the typefaces and the changes in the lines, both as to spacing and the length of line the machine will write. Sometimes a manufacturer will add new characters, especially commercial characters that are often used.

TYPEWRITER AUTOBIOGRAPHY

WITH continued use a typewriter must inevitably show wear, which will be most apparent on the typefaces of the letters and numerals. With consecutive dated samples of work from a particular typewriter, it can be learned when certain flaws in the typefaces first appeared. These dated samples of work show that a typewriter makes a chronological record of wear and tear. Quite often identity of a certain typewriter is established by a few typewriting scars. All typefaces may look alike to the layman, but they are by no means alike. No two type engravers use the same proportions when designing characters. Each manufacturer strives to outdo others in the production of letter forms, giving his product its own personality.

Here are several important points to consider when trying to decide whether a typewritten will is partly fraudulent. That portion of the will known to be genuine should be compared with the suspected portion as to the following:

1. Wording of sentences and adherence to grammatical rules.
2. Tendency to spell correctly or to misspell.
3. Any peculiarities in punctuation.
4. The choosing of simple or unusual words.
5. The use of capital letters—whether properly or improperly used.
6. Spacing before and after punctuation.
7. Light or heavy impressions of certain letters or numbers.
8. Any peculiarities as to the margin of the paper and measure of indentation of paragraphs.
9. The tendency to spell out the numerals or to use figures.

In a fraudulent alteration of a will, there may be only one figure or word changed, or an entire paragraph may be added. Cases have been known where a whole page was added to a will. Deceptive interlineation above the signature of the testator is also a favorite trick of the forger.

Where one suspects addition, it would be well to examine carefully, in good natural light, the exact shade of the color of the ribbon used on the suspected part. The expert should accurately measure the suspected part of the will as to its relative position with the genuine part. Many people think that it is an easy thing to remove a sheet of paper from a typewriter and accurately replace it. Precise measurements will show that this is almost an impossibility.

If it is remembered that each typewriter has its own individuality, and if the above test rules are observed, the identification of forged typewriting can satisfactorily be revealed to any court or jury.

TWO FORGERY CASES

THERE are two cases which may enlighten the reader as to the possibilities of identifying fraudulent wills. One case concerns a handwritten will and the other a typewritten will.

An elderly unmarried woman, whose only next-of-kin were four nieces, wrote the following will in her own handwriting. The names, of course, are fictitious: "I hereby request the First National Bank to divide whatever balance remaining to my credit at my demise, among my four nieces as follows: one-eighth to Anne Brown; one-eighth to Barbara (CONTINUED ON PAGE 70)

NOVEMBER 1935



The Month



WIDE WORLD

THE LATE WAR

In its investigation, the Nye committee of the Senate has attempted to prove that American business interests were principally responsible for the United States' entry into the World War. This development, of course, has delighted the German press and government during the last few weeks. Above, Messrs. Lamont, Whitney and Morgan of J. P. Morgan & Company before the Senate committee



ACME

CONDITION OF POLITICS

In his speech to Congress on January 3 Mr. Roosevelt said: "The carrying out of the laws of the land as enacted by the Congress requires protection until final adjudication by the highest tribunal of the land. The Congress has the right and can find the means to protect its own prerogatives." Above, the Capitol and the Supreme Court Building

KING GEORGE AND RUDYARD KIPLING

Within the space of three days the British Empire lost its sovereign and its outstanding literary exponent



WIDE WORLD

The Condition of BUSINESS

THE OUTLOOK FOR TRADE. Business prospects for the immediate future are fairly bright. The uncertain course of Congress and the budget dilemma are elements of doubt. Confidence and the pace of recovery showed some tendency to falter while the House and Senate studied (1) how to pay for the latest gift to able bodied ex-soldiers, (2) a substitute for A.A.A., (3) Federal fiscal problems of the first magnitude, and (4) new proposals for Federal spending, Federal regulation of business, and Federal competition with private enterprise.

CONTROL OF CREDIT. There is also a somewhat all-embracing question, having to do with when and how the Federal Reserve Board and other regulatory agencies will exercise their powers of control to check inflation. In this connection a factor of great importance is the widespread impatience of the public to proceed with recovery without help or hindrance—an attitude that lends weight to the belief that the Federal Government's regulatory powers, particularly those relating to credit, would arouse opposition if used to their fullest extent.

THINGS AS THEY ARE. The average business man is not worrying about Congress for the moment. He seems determined to ignore developments at Washington and give his time and efforts to consolidating his own interests. He is proceeding on the basis of things as they are and not in the hope of having them as he thinks they ought to be.

The National Budget

Secretary Morgenthau, testifying before the Senate Finance Committee on January 14, said that passage of the bonus bill would raise to $11,300,000,000 the minimum amount required by the Government to meet its obligations in the next year and a half.

Asked about the public debt, he stated:

"It is rather difficult for me to answer, because so many things have happened, but going to the President's budget, which is after all only 10 days old, as he sent it up he estimated that the national debt on July 1, 1936, would be about $31,000,000,000.

"Then you add to that the $500,000,000 which he estimated would be the net deficit for the fiscal year 1937, exclusive of relief; that would raise it in the 17 months to $31,500,000,000; and if you add $2,000,000,000 for relief items to be later submitted, it would bring it up to $33,500,000,000. Now, if you add the soldiers' bonus, there is another two billion. It would bring it to $35,500,000,000."

GOOD SPRING PROSPECTUS. Retail trade has shown less post-holiday recession than usual. In view of the change in the automobile selling season it is difficult to estimate the year's output. The present rate of sales promises that 1936 will be at least as good as 1935 when production was approximately 4,150,000 units.

Indications are that the improvement in heavy private construction will continue, while the increase in private residential construction which characterized the latter part of 1935 will probably carry on to a new high level of activity this year. Plans for replacement, re-equipment and expansion of railways, steel companies, oil concerns, and thousands of small business institutions, are growing in number and extent. A steadily increased demand for machine tools reflects present industrial activity and also is evidence of confidence in the future.

Merchandise and other inventories are low. Buying for the Spring trade has started three weeks ahead of the usual schedule and the volume of purchases reflects not only a scarcity of goods on the merchants' shelves, but is also a forecast of retail demand much greater than a year ago.

Banking conditions, as revealed in numerous annual reports to stockholders, appear more or less static. Condition reports generally showed an increase in holdings of Government securities proportional to the rise in deposits. Bankers are chiefly concerned at present with the low rate of return on sound investments, the continued lack of demand for ordinary commercial credit, and the generally unfavorable prospect for bank earnings.

In the minds of many conservative bankers, as disclosed in their annual reports, there are reasonable doubts of the essential soundness of recovery, because of the fact that much present activity owes its origin to artificial stimuli. It is felt that the Government credit was and is being drawn upon to a degree representing dangerous strain. In other words, the confidence inspired by improvement in business is by no means unalloyed and there is a spontaneous effort now evident among business and financial leaders to take stock and determine just how much of present recovery is built on sand.

REACTION TO A.A.A. DECISION

MEASURE OF BUSINESS VITALITY. Reaction of business in the United States to the decision of the Supreme Court eliminating the A.A.A. is one of the best tests thus far of the current momentum of recovery. The decision, of course, raised serious issues, in the solution of which friends as well as opponents of the principles of A.A.A. would do well to take a calm, constructive view. As early as mid-Summer of 1935 there was a disposition evident in business circles to discount further interference by the Government. Hope increased that there would be no further radical or regulatory legislation. Business accepted the situation as it was and went ahead, being encouraged in this attitude by the promise of a "breathing spell". The industrial activity in the Fall and early Winter was a reflection of this prevailing sentiment.

FARMERS' BUYING POWER. There is no question that the decision was a shock to agriculture and all that depends

directly upon agriculture. Prior to the past six months almost the whole of business recovery had been in consumption goods where activity has been traceable in large part to improved conditions in agriculture resulting from Government spending. Recovery in the automobile industry, the farm implement industry, in household goods and equipment and several other lines has been so distributed geographically as to demonstrate a close connection with increased agricultural income and Government spending. Moreover, these several industries have, in large part, been the connecting links between the consuming goods industries and the capital goods industries, the liaison between activity for the short and the long term, reflected in a gradual improvement in the latter. Hence any development which threatened a decrease in farmer buying power might reasonably have been regarded as a threat to the whole of current business activity.

PRIVATE ENTERPRISE. There are at least two reasons for the optimism which eased the pain of saying farewell to N.R.A. and A.A.A. One is that industry and commerce enjoy the feeling of being restored to self-government and freedom to work out their own salvation. A second reason is that there has been enough of a readjustment between supply and demand in both industrial and agricultural production and consumption to give assurance that business can proceed more freely upon normal lines without crutches or artificial stimuli.

CROP PRICES. An important readjustment has taken place in agriculture. Crop restrictions brought about by the Government and those caused by two years of drought, reduced surplus stocks of agricultural products to such an extent that fairly high prices for farm products seem likely for some time to come. Even in a few products such as cotton where there are still substantial surpluses it seems reasonable that slightly lower prices might result in a resumption of export sales which would clear the stocks and place the producers in a better position for the future.

AGRICULTURE ABROAD. Farm crops the world over have been small in the past year and the pressure upon world agricultural markets by unwanted supplies has been greatly reduced. Prices of nearly all products have risen materially in the past few months in all principal countries and this world price rise is not only reflected in present American prices but also gives considerable assurance that prices will be maintained in the future.

INCREASED DEMAND. Also, the gradual return of industry to normal production, increasing employment, and higher payrolls has increased the demand for products of the farm. Far from reducing this demand, the elimination of the processing taxes from the scene will undoubtedly lead to an ever higher demand based upon increased consumption. Already there has been a reduction in the retail price of pork in the face of an increase in the selling price of hogs. Accordingly, the prospect is that, independent of any new scheme of farm aid evolved by Congress, the price of farm products will remain at a reasonably high level and the buying power of the farmer will be maintained. This the farmer himself has begun to realize, as is indicated by opposition to further crop restriction among farmers themselves, apparent within the past few months.

DEVALUATION AND STABILIZATION. While the President has extended the "national emergency" another year for the purpose of continuing the operation of the Treasury's stabilization fund and his own powers of further reducing the international value of the dollar, it is still possible to hope that these are merely protective measures against possible foreign action and that no intention exists to manipulate further the currency or change the standard of value.

REFORM OF RELIEF. There is an insistent demand for changes in the relief program placing it on a non-partisan and decentralized basis with primary responsibility upon the states and only such contributions from the Federal Government as are demonstrated to be absolutely necessary. It appears that there is little hope of balancing the Federal budget before the 1937–1938 fiscal year, but there is increasing public pressure for reducing Government deficits, and holding the public debt to a minimum, in order to prevent ruinous taxation, head off inflation and establish credit on a sound basis.

There is also continued insistence that the Government curb its competition with private business in banking, public services and other lines, and that it confine its activities to those purely governmental or at least to those which private interests are incapable of handling.

TREASURY OPERATIONS. During December the total interest bearing debt increased by $923,000,000. This is largely explained by the borrowing of $972,000,000 of new capital by the Treasury. General expenditures exceeded receipts by $131,000,000 and expenditures of trust and contributed funds were greater than receipts by $18,000,000. The excess of expenditures over receipts of $149,000,000 explains why the Treasury's cash balances only increased $774,000,000 at a time when the gross debt increased by $923,000,000. Decreases of $55,000,000 in the non-interest bearing debt and $2,000,000 in certificates and increases of $317,000,000 in notes and $664,000,000 in bonds were the principal changes in the structure of the gross debt.

BANK DEBITS. Every district of the United States reported an increase in bank debits for December over November, but the districts of Atlanta, Chicago, Minneapolis and Dallas,

(CONTINUED ON PAGE 36)

New Financing

The total of new financing in December amounted to $475,366,911 as compared with $382,030,662 in November. Refunding operations accounted for 50.5 per cent against 70 per cent in November. In comparison with November the December figures were: corporate financing, $167,354,913 against $250,503,400; farm loan and publicly offered governmental agency issues, $121,500,000 against $17,253,500; and state and municipal securities, $128,511,998 against $108,675,894. Of the total corporate financing of $167,354,913, strictly new capital issues were $62,931,563 against $33,500,000 in November. New capital issues accounted for 38 per cent of the total corporate flotations as compared with 14 per cent in the previous month. One of the most encouraging business indications is the increase in the new capital appeals which industry has been making to the investment markets. With the business outlook good and profits increasing, the next few months are likely to witness further recovery in the capital markets.





Top: Inland Waterways Corporation dock on the Mississippi; middle: power house at Wilson Dam, Muscle Shoals; below: Public Works Housing project in the Bronx, New York

Government and Business

One phase of the present economic situation having an important bearing on the future of business is the relationship existing between the Government and private enterprise. The activities of the Federal Government in various fields of business have grown to such magnitude that it is difficult to trace their ramifications. This development has not been confined to recent years.

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The war emergency was responsible for the creation of at least a dozen Federal agencies. Within the span of 30 months appeared the United States Grain Corporation, the United States Spruce Production Corporation, the United States Railroad Administration, the Russian Bureau, Inc., the Sugar Equalization Board, the War Finance Corporation and several others.

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Today the activities of various Federal Government agencies, not only in the regulation of industry, but also in active competition with private enterprise, through control and influence resulting from loans to various industries, have extended into many lines of industrial and commercial activity.



ALL PHOTOS BY CUSHING

were the only ones to show greater than seasonal gains. Debits for the United States as a whole, after allowing for seasonal adjustments, amounted to 82.3 per cent of the 1923–1925 average in December as compared with 84.5 per cent in the preceding month. Excluding New York City, the decline was slightly less, the adjusted index falling to 87.2 per cent of the 1923–1925 average from 88.3 per cent in November.

It is rather an unusual development for bank debits to decline during a period when retail trade expands more than seasonally. Retail trade for the nation as a whole increased from 81 per cent of the 1923–1925 average in November to 84 per cent in December. There are various explanations for this development. For one thing, there has been an increasing tendency for individuals to deposit funds in Christmas savings accounts at savings institutions. During December these funds are withdrawn and spent, finding their way into the channels of retail trade. The initial spending of these funds in no way affects bank debits.

In those districts influenced by textile manufacturing, minor recessions were reported. This occurred despite the fact that cotton textile manufacturing failed to decrease so much as is seasonally normal. However, the greater than seasonal declines that occurred in silk and woolen mill activity offset the favorable showing in the cotton trade, causing total activity to drop more than seasonally. Payrolls were less, and this was reflected in the debit figures.

The Cleveland district showed quite a sharp decline, due principally to the extended holiday curtailment in the automobile industry. Naturally, all of the allied industries within this territory were also adversely affected. Nevertheless, the supply-demand conditions of the various industries located within this district indicate that the decline will be of a temporary nature.

Agricultural sections failed to show increases in debits of the full seasonal extent, due principally to the slowing up of marketings of farm commodities, which were influenced by the A.A.A. The indecision and uncertainty thereby created caused the demand for these products to decline, which in turn resulted in a slight reaction in price. Naturally, bank debits were reduced. However, this condition also seems to be a temporary one. Following the A.A.A. decision it is logical to expect marketings to assume more normal proportions and prices should likewise strengthen. The Chicago district showed the most favorable trend reported for December. This was due first to the sharp expansion in retail sales, and second to the unusual stability in the steel industry. The sharp expansion which occurred in building activity during the last quarter tended to sustain steel operations within this district.

Particular Earning Assets as Percentage of Total Loans and Investments

(Weekly Reporting Member Banks in 101 cities as of January 8; 000,000 omitted)

	Total	*Boston*	*New York*	*Philadelphia*	*Cleveland*	*Richmond*	*Atlanta*	*Chicago*	*St. Louis*	*Minneapolis*	*Kansas City*	*Dallas*	*San Francisco*
Loans and investments—total	$20,834	$1,118	$8,762	$1,119	$1,739	$601	$522	$2,760	$626	$382	$622	$446	$2,137
Loans on securities	15.3	15.9	21.3	15.1	13.3	12.0	10.3	9.0	10.4	8.9	7.7	9.6	8.3
To brokers, etc., N. Y.	(4.5)	(.4)	(10.5)	(.8)	....	....	....	....	....	....	(.3)	....	(.1)
To outside N. Y.	(.8)	(2.2)	(.7)	(1.3)	(.7)	(.5)	(1.1)	(1.1)	(.8)	(.5)	(.5)	(.4)	(.5)
To others	(10.0)	(13.3)	(10.1)	(13.0)	(12.6)	(11.5)	(9.2)	(7.9)	(9.6)	(8.4)	(6.9)	(9.2)	(7.7)
Acceptances and commercial paper	1.8	3.8	2.0	1.9	.3	1.2	1.0	1.1	1.9	2.6	4.5	.4	1.2
Loans on real estate	5.5	7.6	2.8	6.0	10.7	3.5	4.0	2.4	6.1	1.3	2.4	4.9	17.3
Loans to banks	.4	.4	.5	.3	.3	....	.2	.4	1.1	....	.8	....	....
Other loans	16.1	24.9	14.4	15.3	10.1	17.5	27.8	12.8	18.5	33.0	20.9	28.9	17.0
U. S. securities	40.9	32.2	40.5	26.5	46.6	47.4	34.7	56.9	36.9	39.3	36.8	33.6	33.1
Securities guaranteed by U. S.	5.4	1.6	4.7	8.9	4.3	6.3	7.3	5.2	9.1	3.7	7.6	11.7	6.5
Other securities	14.7	13.5	13.8	25.9	14.4	12.1	14.8	12.2	16.0	11.3	19.3	10.8	16.7
Ratio of total net primary reserves to demand deposits—per cent	28.2	39.1	28.8	24.1	25.3	27.7	18.8	30.2	22.7	24.7	23.3	25.7	23.1

TOTAL loans and investments of the weekly reporting member banks were $20,834,000,000 on January 8. This represents an increase of $316,000,000 since December 4. All districts showed increases except Minneapolis and Kansas City where minor declines took place. Chicago showed the largest expansion. During the past month we find that there were several significant changes in the loan and investment portfolio percentages. As a percentage of total loans and investments, Government bonds increased from 40.1 per cent to 40.9 per cent. Other loans dropped from 16.6 per cent to 16.1 per cent. Subsequent to the decline in member bank balances the cash ratio (demand deposits adjusted to primary reserves) contracted to 28.2 per cent from 29.2 per cent.

Relative to the total loans and investments the holdings of direct Government securities expanded in all districts but Kansas City and Dallas. The percentage of 56.9 per cent in Chicago is a record high. Richmond showed the largest increase—Government bonds amounting to 47.4 per cent of the banks' portfolio against 44.7 per cent on December 4. There were no outstanding changes in the proportionate holdings of Government guaranteed securities. The largest expansion occurred in Philadelphia; there the percentage increased from 8.6 to 8.9 per cent. Atlanta and Minneapolis registered the only important contractions. In both cases the declines were only nine-tenths of one per cent.

Government Banking

Regulation of Interest on Deposits—Competition in Rates Charged Customers — Position of Government Bankers

An Analysis by GEORGE E. ANDERSON

IF the attitude of the Federal authorities toward the banks in the matter of interest rates of all sorts could be simplified in a single phrase it would probably be merely: "It is up to the banks." The statement would apply to interest rates both going and coming. From the standpoint of rates on bank loans of the character designed to supplant Government lending by the use of the overflowing unused funds of the banks, the attitude seems to be that the banks can have the business the Government is now handling if they will meet the terms which the Government deems advisable or necessary for its general welfare purposes. In the matter of interest to be paid by the banks on deposits the Government is willing to lay down certain broad rules and fix certain general limits, but beyond that it is incumbent upon the banks to arrange the details. These propositions they can take or leave. It certainly seems to be "up to the banks."

RATE REGULATIONS Even in laying down broad principles and general regulations, however, the Government runs up against difficulties. The Banking Act of 1933 prohibited the payment of interest on demand deposits by banks which were members of the Federal Reserve System and authorized the Federal Reserve Board to fix maximum rates of interest on other deposits. The Federal Deposit Insurance Corporation followed by extending this prohibition and these regulations to members of the insurance system. This involved the question of exactly what could be counted as demand deposits and what were the proper classifications of other deposits.

The Federal Reserve authorities drew up elaborate regulations, split hairs in the matter of defining various classes of deposits, worked out every conceivable plan to prevent "chiselling", but still failed to satisfy all interests and prevent inequalities. The Banking Act of 1935 went further, giving more comprehensive authority to the Reserve Board and the F.D.I.C. to fix rates upon and define the classes of deposits, resulting in more finely drawn regulations, more split hairs in classification, more stringent rules governing withdrawals, and more complications generally, with the result that bankers are confused and uncertain in all deposit interest dealings.

The Banking Act of 1935 also, probably in the light of experience, gave the Reserve Board authority in the case of Reserve member banks to define "interest". It gave no such authority to the F.D.I.C., at least no direct authority. Hence a difference of opinion immediately arose as to how far the latter could or would go in making its rules and regulations as to the payment of interest on deposits uniform with the stringent rules and regulations announced by the Federal Reserve Board.

THE WORD "INTEREST" On this matter of a technical definition of the word "interest" hinged the whole matter of uniform treatment of depositors by banks within and without the Reserve System, especially banks within and without the par collection system. In short, it cut rather close to the life arteries of thousands of small banks scattered all over the United States. Paragraph "f" of Section I of Regulation "Q" of the Reserve Board provides that "The term 'interest' means a payment, credit, service or other thing of value which is made or furnished by a bank as consideration for the use of the funds constituting a deposit and which involves the payment or absorption by the bank of out-of-pocket expenses (i.e., expenses arising out of specific transactions as distinguished from overhead and general operating expenses), regardless of whether such payment, credit, service or other thing of value varies with or bears a substantially direct relation to the amount of the depositor's balance. The term 'interest' includes the payment or absorption of exchange and collection charges which involve out-of-pocket expenses but does not include the payment or absorption of taxes upon deposits whether levied against the bank or the depositor nor the payment or absorption of the premiums on bonds securing deposits where such bonds are required by or under the authority of law." And so on.

It requires no great astuteness to appreciate the fact that if this definition of interest is applied to banks which are members of the Reserve and of the par collection systems, and not to other banks, it will give the latter an immense advantage in competing for deposits in communities where there are both classes of banks. Approximately 2,200 banks are members of the deposit insurance system but not members of the par collection system; they are doing business in communities wherein there are banks which are members either of the Reserve System or its par collection system. On the other hand if so stringent a rule is applied to these banks outside of the par collection system it will deprive them of an advantage which they consider necessary for

their prosperity if not their existence. Many of them regard the proposed regulation as a scheme to force them into the par collection category.

TIME DEPOSITS A similar clash of interests meets the Reserve authorities in the matter of fixing maximum rates to be paid upon time deposits. A criticism made against the action of the Reserve Board in fixing such rates is that in establishing uniform maxima for the entire country rather than rates for the various districts the Board fails to take into consideration the fact that the prevailing interest rates, both paid and charged by banks, vary in the several Reserve districts and, indeed, in different localities within some of the districts, and that the uniform rates bear too heavily upon some districts and too lightly upon others. This the Reserve authorities are generally disposed to admit, but what to do about it is a different matter.

If each Federal Reserve district were a tightly closed banking organization into which and from which funds could not freely flow there would be no difficulty in arranging for differing rates to meet differing conditions. But money flows freely across Reserve district borders. If higher rates upon deposits were paid in one district than in others there is nothing to prevent all the time deposits in the country from flowing into the district with the higher rates. In communities along the borders of the several districts the effect of differing rates would be immediate and, to banks in the lower rate district or districts, disastrous.

The position taken by the Reserve authorities is that, under the law, the Reserve Board fixes the *maximum* rates to be paid in any and all districts. It does not fix the rates actually to be paid. That is "up to the banks." The latter can go as far below the maximum rates as they desire. If banks in the several districts or communities cannot agree among themselves upon the rates actually to be paid within the upper limit fixed by the Reserve Board it may be unfortunate for the banks.

UPPER LIMITS The plan of the Federal authorities thus to fix an upper limit beyond which banks cannot go in the payment of interest on deposits but which leaves other details of the matter to their own decision has its counterpart in the disposition of Government lending authorities to fix an upper limit of interest which banks can charge customers and leave the matter of their securing business in competition with the Government to their own initiative and determination. The upper limit of interest on 10-year money to important borrowers is 4 per cent and if banks are not willing to finance such customers at that rate or better the Government will do so.

The crisis in this policy, which has been developing for months, came in connection with the refinancing of $100,000,000 of bonds of the Great Northern Railway maturing on July 1 next. A New York banking syndicate proposed to handle this refinancing for an underwriting fee of 1 per cent, or approximately a million dollars, plus an additional 1 per cent of the principal on any of such issue the underwriters might have to take over, provided the new issue bore the rate of 5 per cent interest and was convertible into stock—one-half of each bond at $40 per share for the stock and one-half at $75 per share. The bonds were to be offered in the first place to stockholders, later to the holders of the road's 7 per cent mortgage bonds in exchange for their bonds, and thereafter to the public.

The Reconstruction Finance Corporation proposed to underwrite the issue on the same terms as to sale to stock and bond holders and to the general public, but at 4 per cent interest and without underwriting charge. The corporation gives the company until April 1 to take up the offer—in other words, it gives bankers until April 1 to equal or better the Government's offer.

The corporation has offered to increase its loans to the Illinois Central Railway by a little less than $7,500,000 to take care of a maturity of $8,000,000 of the road's obligations also occurring on July 1 by the purchase of a five-year issue at 4 per cent. In discussing the Great Northern loan the policy of the R.F.C. was stated clearly.

MR. JONES' VIEWS "We appreciate your efforts and those of your bankers to provide this money without coming to the Government," says Jesse H. Jones, chairman of the corporation, in his letter to the railway company, "but feel that in offering to pay such a high rate you will be hurting all railroad financing and unnecessarily penalizing your own security holders. Four per cent is a fair yield, a good rate in this market, and we think you should not be required to pay more. We have no desire to supplant your bankers but would like to cooperate with them and the railroads to the end that railroad financing can be done at much less cost to the roads."

Back of the question of interest rates on these and similar loans, of course, is the more fundamental question of what constitutes a fair return to banks and other lenders on loaned money under present economic conditions. It can be safely assumed that the collateral for these typical loans offered by the borrowers is sound and ample; the R.F.C. is making no loans on any other basis. But do railway loans under present conditions and even with the better class roads constitute a fair risk at 4 per cent? There is really no direct correspondence between the position of the R.F.C. and the banks in such a matter under present conditions. In the first place the general position of all railroad financing must be considered. While such a loan may be amply secured it may in time require nursing. This the R.F.C. as a pool of long term credit against which are no deposit demands can do, and this properly managed commercial banks cannot do.

It must be realized that in such matters banks run risks which the R.F.C. does not. The banks are risking funds of their depositors; the R.F.C. is risking money of the Government. The banks must be able to look a depositor in the face. The R.F.C. is a long way from the taxpayer. Probably there would be no loss in either case, but the respective positions of the banks and the Government in such matters must be understood before one can safely judge of the situation.

RAIL LOANS TYPICAL Railway loans are in most respects typical of industrial and other business loans at the present time, making due allowance for comparative volume and security. The Government proposes to get out of the banking business, but only upon its own terms. The policy is evident not only in the attitude now assumed with respect to railway financing but also with respect to loans for other activities; it is, in fact, merely an elaboration of the attitude assumed toward agriculture for years, later translated to the home mortgage and other real estate financing fields and now brought home to industry.

Fundamentally the turmoil over and uncertainty with respect to interest rates are results of the easy money policy

followed by the Government during the past four years or more, reacting upon an uncertain business situation in which demand for money is irregular where it is not entirely nonexistent and in which business risks are yet to be fully evaluated. It may be true that 4 per cent for a sound railway loan would be, as Chairman Jones contends it now is, ample return for money in the present market provided the latter represented normal lending conditions and could be assured of freedom from the regulation, restrictions and impositions by the Government which have affected business for the past three years. The present money market, however, is unnatural and business is still uncertain of its relations with the Government. The very fact that a Government lending agency interferes with a proposed private arrangement between bankers and railroads indicates a continuation of Government control in such matters.

DIRECT LOANS

There is also the matter of loans for working capital. It was over the protest of the commercial banks, and indeed rather in the face of opposition from the Reserve banks themselves, that the latter were given authority by Congress in June 1934 to make direct loans to industry. This authority represented a compromise between the original proposal to authorize the Reconstruction Finance Corporation to make such loans and the proposal of a coterie in Congress, led by Senator Carter Glass of Virginia, to avoid an extension of the powers of the R.F.C. by the establishment of intermediate credit banks under the control of the Reserve Banks for the purpose of providing such loans to business.

As a result of the controversy at that time the Reserve Banks were given authority to make direct loans to established business concerns up to the amount of their reserves, while the R.F.C. was given authority to make such loans up to a limit of $300,000,000. It was contended at the time that there was a tremendous demand for credit of this sort which banks were not supplying, while the commercial banks claimed that they were not making loans of this kind because there was no demand for them from concerns which could give satisfactory security and show that the credit could be and would be used so as to earn the profits justifying it both for the borrower and the lender. Previous to the granting of these extraordinary powers the R.F.C. had been making advances to industry through mortgage loan companies organized for the purpose, but practically nothing was accomplished by this means—not enough, at all events, to demonstrate that industry needed such credit or that banks were failing to lend.

USING THE CREDIT

In theory these powers given the Reserve banks and the R.F.C. have been in use for substantially a year and a half, although the complete machinery for exercising them has been in use little more than a year. The result is that enough credit of the intermediate class for working capital for industrial and commercial businesses has been put out to demonstrate that there is a substantial demand for it. Likewise it has been demonstrated that the demand is not nearly so large as that claimed by the advocates of credit liberalization and that much of it is sought under conditions which many if not most commercial banks cannot meet, at least without the cooperation and assistance of some governmental or Reserve bank agency. It also seems to be fairly well established that while many industries plan to go ahead if and when they secure working capital a good many of them are unwilling or unable to put their plans in effect when the capital is available. This may be due to uncertainties in the industrial outlook, or to various other reasons. At all events it seems to demonstrate that the lag in commercial lending was due in large part to the unwillingness or inability of industry and commerce to use the credit they were supposed to be seeking.

In reviewing the exercise of the direct loan powers both of the R.F.C. and the Reserve banks there must first be noted the wide disparity between the so-called demand for such credit and the actual demand which can properly be transmuted into sound loans inuring to the benefit of business as well as the lenders of the money. The R.F.C. is authorized to make these direct loans up to a total of $300,000,000. The Reserve banks can make them up to the amount of their reserves at the time—approximately $280,000,000. Up to January 1 applications for loans from both agencies aggregated approximately $550,000,000 but the total authorizations of loans by both agencies amounted to $231,595,000 and the total credit outstanding was $99,800,000 or 43.4 per cent of the authorizations and approximately 18 per cent of the applications.

HESITANT BORROWERS

The drag of more than half of the authorizations represents many cancellations and considerable repayments but mostly, especially in the case of the R.F.C. loans, the unwillingness or unreadiness of industry to use the loans authorized. There is nearly always some delay between the opening of a credit and its actual use, but the R.F.C. industrial loans above all reflect the disposition of many industries to arrange for a swim and then hesitate to take the plunge.

Up to January 1, the latest date for which comparative statistics for both organizations are available, the corporation had authorized loans in the amount of $94,324,139 to 1,457 business concerns and had agreed to take participations in the amount of $12,955,468 in 254 business enterprises—a total of 1,711 authorizations in the amount of $107,279,607. Of this total, $18,942,913 had been withdrawn or cancelled, leaving $88,336,611 as actually authorized. Of the latter amount $45,874,678, or 52.1 per cent, was still available to the borrowers and only $42,462,016 had been actually disbursed, of which $2,406,679 had been repaid. The amount of loans actually outstanding out of all these authorizations, accordingly, was only $40,055,337 or 37.3 per cent. This drag in the use of proposed loans seems to be characteristic of the direct loan operations of the corporation since the beginning. Six months previous, at the end of April, when total authorizations were $56,067,372 and loans actually outstanding were $14,693,119, the latter were 26 per cent of the former while 56.5 per cent of the authorizations actually in force were still unused by the proposed borrowers.

RESERVE LOANS

Up to January 1 the Reserve banks had received applications from 7,597 concerns for loans aggregating $306,186,000. The industrial advisory committees had approved 2,171 of these applications for a total of $132,182,000, while the Reserve banks themselves had approved 1,992 of the loans for $124,315,000, the rest being under further consideration. Of the loans approved by the banks, $32,600,000 were outstanding in the way of direct advances, $27,745,000 were outstanding in the way of bank loans which the Reserve banks had agreed to take over on demand of the banks, $11,785,000 had not yet

been completed, $8,768,000 had been advanced by commercial banks as their participation in the loans, and $43,417,000 had been cancelled, had expired or had been repaid.

Over $25,000,000 of this latter amount, however, represented withdrawals or cancellations. There is no information indicating just what proportion of these cancellations is due to the hesitancy of industry to go ahead with its plans and how much is due to the fact that the borrowing concerns obtained their funds elsewhere, but it is known that at least a very considerable portion of the loans sought from or through the Reserve banks were finally taken over by commercial banks on their own account. While the Reserve banks are following a liberal policy in making these loans the latter are, after all, properly secured.

Usually the reason the loans cannot be obtained from commercial banks in the first place lies in the complicated nature of the security offered. Often this includes mortgages on real estate, the hypothecation of life insurance policies, chattel mortgages on equipment, slow security collateral and a what-not of other property.

COMMITMENT SYSTEM

However complicated may be the security offered for a loan of this class, it is pointed out that banks have a very practical moral as well as material support in granting it under the commitment system. If a proposed loan runs the gauntlet of the commercial bank, the Reserve bank's industrial advisory committee and the Reserve bank itself, it is likely to be a sound risk, whatever the complications.

Under the system set up by the Federal Reserve Board the commercial bank receives the application for the loan and submits it to the Reserve bank for its approval. The Reserve bank submits the application to its industrial advisory committee. If the latter approves, the Reserve bank usually approves and thereupon agrees with the commercial bank to take the loan off of the latter's hands within a year subject to the bank carrying 20 per cent of the ultimate risk of the loan. For this service the Reserve bank charges from one-half of 1 per cent to 2 per cent of the loan, thus enabling the bank to carry the loan at its full lending rate with a margin of from 4 per cent to 5.5 per cent interest on an ultimate risk of 20 per cent of the loan.

It is natural, of course, that a commercial bank should shy at loans with maturities up to five years, although under the new rediscount system of the Federal Reserve sound loans are always liquid. Moreover, the turnover of funds in these loans is considerably more rapid than might be anticipated from their nature. The loans run from a few months up to the full five year period but on an average between 15 and 18 per cent mature within six months. On December 25, 4.7 per cent of the loans were due within 15 days, 1 per cent more within 30 days, 2 per cent more within 60 days, 2.8 per cent more within 90 days and 5.7 per cent more within six months, thus a total of 16.2 per cent being due within six months. Considerable liquidity also is provided by arranging many loans on the basis of periodical amortization. Of the $43,417,000 withdrawn, repaid or cancelled on October 20 approximately $18,000,000 represented repayments in the course of a little more than a year of substantial operations.

Nevertheless, banks hesitate. Direct loans from the Reserve banks have always been larger than their commitments.

It is confidently believed by Reserve authorities that if commercial bankers would study the possibility of making loans for working capital under this system of Reserve commitments they could expand their loan portfolios materially with benefit to all concerned.

MORTGAGE BANK

At the Senate hearings on the mortgage bank bill (left to right) were Wendell Barker, chairman of the New York State mortgage committee, Herbert U. Nelson, secretary of the National Association of Real Estate Boards, Walter S. Schmidt, past president of the latter organization, Edward A. MacDougall, president of the Queensboro Corporation, New York City, and Walter W. Rose, president of the National Association of Real Estate Boards



HARRIS & EWING

Reserve Board Regulations

A summary of outstanding provisions of revised regulations of the Board of Governors of the Federal Reserve System

REVISED REGULATION H

With Reference to Membership of State Banking Institutions in the Federal Reserve System, Effective January 1, 1936

UNDER section 2 of the regulation (section numbers refer to Regulation H unless otherwise specified) and section 9 of the Federal Reserve Act, a state bank with capital stock, to become a Federal Reserve member, must have, in general, at least the minimum capital necessary to organize a national bank in the same place:

	Population
$ 50,000 for places not over.....	6,000
$100,000 for places over.....	6,000
$200,000 for places over.....	50,000
$100,000 under specified conditions in outlying districts of places over.....	50,000

However, $25,000 is the minimum for a bank in a place not over 3,000 population if it (A) was organized prior to June 16, 1933, or (B) is participating in deposit insurance.

Under section 1 of the regulation and section 9 of the Federal Reserve Act, *capital* includes preferred stock. It includes also *capital notes and debentures purchased by the Reconstruction Finance Corporation.* Section 2 of the regulation and section 9 of the Act require that the *capital* of an applying bank shall be unimpaired. A footnote to section 2 quotes section 345 of the Banking Act of 1935 providing that the "*capital*" of a bank applying for membership may be deemed unimpaired if the "sound value of its assets is not less than its total liabilities, including *capital* stock, but excluding . . . *capital notes or debentures*" which the Reconstruction Finance Corporation may purchase "and any obligations of the bank expressly subordinated thereto." Any difficulty of reconciling these provisions is due to the statutory language.

An applying mutual savings bank must possess surplus and undivided profits not less than the capital required for the organization of a national bank in the particular place. No analogous $25,000 exceptions apply.

Waiver of eligibility requirements for insured banks compelled under section 12B (y) (1) of the Federal Reserve Act to become members of the Federal Reserve System is not provided for in the regulation at present, since, until the close of 1941, it cannot be ascertained what insured banks will be required to join the System.

Section 3 restates the law that all state member banks must participate in Federal Deposit insurance.

Under section 4 an applying state bank with capital stock shall subscribe to Federal Reserve bank stock to the amount of 6 per cent of its capital and surplus, and a mutual savings bank to the extent of six-tenths of one per cent of its total deposits. If the mutual savings bank is not authorized to purchase stock, it shall seek permission to deposit a similar amount with the Federal Reserve bank. (In the latter case, membership is forfeited if the state law is not amended to authorize the purchase of stock and the bank does not purchase such stock.)

Section 5 states that the following matters will be given special consideration by the Board of Governors:

> "(1) The financial history and condition of the applying bank and the general character of its management;
> (2) The adequacy of its capital structure and its future earnings prospects;
> (3) The convenience and needs of the community to be served by the bank; and
> (4) Whether its corporate powers are consistent with the purposes of the Federal Reserve Act."

Upon its acceptance of the conditions prescribed by the Board of Governors, an applying bank shall pay one-half of the amount subscribed plus one-half of 1 per cent thereof for each month from the period of the last dividend. The other half of the subscription is subject to call by the Board.

Section 6, relating to conditions of membership for banks *applying after December 31, 1935*, is most important. The Board of Governors may impose such conditions as may be necessary or advisable in the particular case. In addition, it prescribes these conditions:

1. Its business shall be conducted and its powers exercised "with due regard to the safety of its depositors". A change in the general character of its business or in the scope of its corporate powers shall not be made without the approval of the Board of Governors. A detailed report should be made to the Board of any anticipated acquisition of assets of another institution through consolidation or purchase; this "may result in" such "a change" requiring approval.

2. The bank's capital and surplus "shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities". The Board may, at any time, require the aggregate capital and surplus of a member bank to be made adequate within a reasonable time. Permission of the Board of Governors is required for reduction of aggregate "capital", which includes not only common and preferred stock but also capital notes and debentures purchased by the Reconstruction Finance Corporation. This does not apply where a corresponding specific reserve is set aside to provide "for an increase in capital and can be used for no other purpose". Condition 2 is not required of mutual savings banks.

3. A member bank shall not engage as a business in issuing or selling directly or indirectly, through affiliated corporations or otherwise, bonds, etc., representing real estate loans or participations therein, except mortgages insured under the National Housing Act.

The following conditions for state banks applying for membership *before* January 1, 1936 (numbered as in section IV of the former Regulation H) *have been omitted:*

(3) Relative to purchasing stock in another bank or trust company. Such purchase by a member bank is prohibited by paragraph Seventh of section 5136, U. S. Revised Statutes, as amended, in connection with para-

graph 19, of section 9 of the Federal Reserve Act.

(4) That a state member bank should maintain its loans within the limits of state law. In any case such is the legal requirement.

(5) That deposits with nonmember banks should be limited to 10 per cent of the depositing bank's capital and surplus. This is a statutory requirement of paragraph 8 of section 19 of the Federal Reserve Act.

(6) Limiting amounts of acceptances by state member banks. Such acceptances are controlled by Regulation C of the Board of Governors.

(7) That the board of directors of the applying bank should adopt a resolution authorizing the interchange of reports and information between the Federal Reserve bank and the state banking authorities. The new forms to accompany the revised regulation require that such a resolution be adopted before the application is made, extending also to interchange of reports and information with Federal authorities having supervision of the state member bank.

Paragraph 5 of section 9 of the Federal Reserve Act, in addition to the provisions of Regulation H, requires state member banks "to conform to those provisions of law imposed on national banks which prohibit such banks from lending on or purchasing their own stock, which relate to the withdrawal or impairment of their capital stock, and which relate to the payment of unearned dividends".

Paragraph 19 of such section 9 restricts dealings by state member banks in investment securities and stock to those permitted for national banks under paragraph Seventh of section 5136, U. S. Revised Statutes.

The following conditions must be accepted by applying banks *exercising trust powers* (The numbers follow those in section 6 of the revised regulation):

4. The "bank shall not invest funds held by it as fiduciary in obligations of or property acquired from the bank or its directors, officers, employees, members of their families, or their interests, or in obligations of or property acquired from affiliates of the bank". Condition 4 contemplates that "a trust institution will not invest trust funds in the obligations of any organization in which officers, directors, or employees of the trust institution or their families have such an interest as might affect the exercise of the best judgment of the management of the trust institution in investing trust funds."

Condition 4 does not prevent investments expressly required by the trust instrument or by court order.

5. Trust funds shall not be invested "in participations in pools of mortgage bonds or other securities, and the securities and investments of each trust shall be kept separate from those of all other trusts and separate also from the properties of the bank itself." However, the regulation does not prohibit the investment of funds of several trusts in a single real estate loan permitted for a national bank under section 24 of the Federal Reserve Act, nor "where the cash balances to the credit of certain trust estates are too small to be invested separately to advantage" does it prohibit a collective investment. In either case the bank must own no participation in the mortgage or other securities and must have no interest other than as fiduciary.

6. Trust funds deposited in banking department shall be protected by deposit of securities with the trust department as in the case of a national bank under section 11 (k) of the Federal Reserve Act and Regulation F, the revised form of which has not yet been issued. Such requirements for a state member bank may be waived, where such funds are "fully protected by a statutory preference in all of the assets of the bank over its general creditors".

The new conditions of membership in section 6 affect only banks applying after December 31, 1935; the following sections apply to all state member banks unless specifically limited to such newly admitted banks.

Section 8 interprets the statute relative to branches of state member banks. In general, a state member bank may establish outside branches under the same conditions as a national bank, except that the approval is by the Board of Governors rather than the Comptroller of the Currency. ("Inside" and "outside" branches refer to those which are within and without the community where the head office is located.)

1 and 2. Outside but not inside branches require the Board's approval.

3. A state bank joining the System must obtain approval to retain an outside branch established after February 25, 1927. Such retention is subject to the same conditions as the establishment of new branches by a state member bank.

4. Seasonal agencies in resort communities may be established under specified conditions without meeting the general capital requirements.

5. A member bank establishing an outside branch must have at least the capital required if each office (including each inside branch) were to be organized as an independent national bank. (Capital requirements to organize a national bank are listed on page 41.)

Such member bank must also have at least the following capital:

$100,000 if state has population less than 500,000 and no city exceeding 50,000;
$250,000 if $100,000 provision does not apply and state has population less than 1,000,000 and no city exceeding 100,000;
$500,000 in other states.

Under the 1930 census, the $100,000 minimum applies to Arizona, Idaho, Nevada, New Mexico, Vermont, and Wyoming, and the $250,000 minimum to Maine, Montana, New Hampshire, North Dakota, and South Dakota. Although Delaware, Oregon, Rhode Island, and Utah have less than 1,000,000 population each, $500,000 is required because each has a city with over 100,000 population.

6. A state statute must permit the establishment of the outside branch "affirmatively and not merely by implication or recognition".

7. Any branch legally in operation under state law on February 25, 1927, may be retained.

8. Outside branches established after February 25, 1927, may be retained under the same conditions under which new branches can be established.

9. The removal of an existing branch to a town is considered the establishment of a new branch in such town.

Subsection (c) of section 8 requires that the application for an outside branch shall state the business to be carried on by it and contain detailed information with reference to its supervision by the head office.

Subsections (d) and (e) relate to foreign branches.

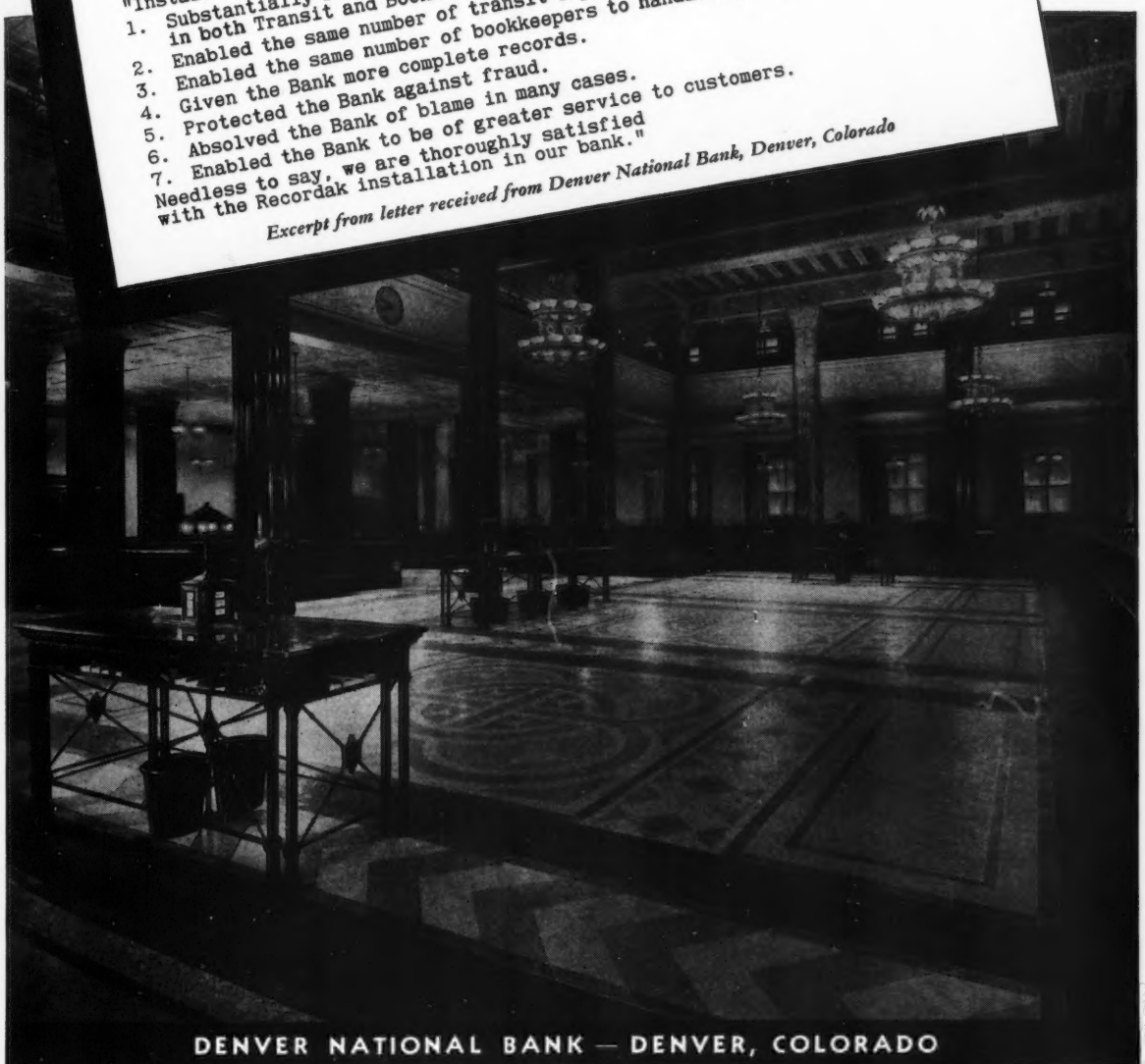
Section 9 requires publication in a newspaper meeting specified conditions of condition reports of state member banks within twenty days of the date of the call by the Board of Governors. A weekly newspaper is eligible. Such published report must be practically identical with the report rendered to the Federal Reserve bank. Unless the filing of a report of a holding company or other affiliate of a state member bank is waived, a practically identical copy of such report (CONTINUED ON PAGE 68)

"Installation of the Recordak system in the Denver National Bank has:

1. Substantially reduced per item handling costs in both Transit and Bookkeeping Departments.
2. Enabled the same number of transit employes to handle 100% more volume.
3. Enabled the same number of bookkeepers to handle 50% more volume.
4. Given the Bank more complete records.
5. Protected the Bank against fraud.
6. Absolved the Bank of blame in many cases.
7. Enabled the Bank to be of greater service to customers.

Needless to say, we are thoroughly satisfied with the Recordak installation in our bank."

Excerpt from letter received from Denver National Bank, Denver, Colorado



DENVER NATIONAL BANK — DENVER, COLORADO

YOU owe it to your bank to investigate Recordak. Other banks with problems similar to yours have saved up to 45% in per item costs . . . 50% in supplies . . . 90% in storage space—and have increased accuracy and efficiency with this photographic accounting system . . . We will be glad to show you what Recordak can do for you . . . how your bank can make such savings. Recordak Corporation (subsidiary of Eastman Kodak Company), 350 Madison Avenue, New York City.



Recordak

ACCOUNTING BY PHOTOGRAPHY



79 BANKING OFFICES SERVE

28 NEW YORK STATE COMMUNITIES

● There are Marine Midland banking offices in twenty-eight New York State cities and towns, including New York, Buffalo, Rochester, Troy, Binghamton, Oswego, Watertown and Niagara Falls. Their average age is over fifty years. The majority of them are the largest commercial banks in their respective communities. If you do business in New York State, a banking connection here offers many unusual advantages.

Marine Midland Banks serve these 28 New York State Communities: NEW YORK CITY, TROY, CORINTH . . . WATERTOWN, ALEXANDRIA BAY, MALONE, OSWEGO . . . BINGHAMTON, JOHNSON CITY, ENDICOTT, CORTLAND . . . ROCHESTER, AVON, SODUS, WEBSTER, BATAVIA, ALBION, MEDINA . . . NIAGARA FALLS, LOCKPORT, MIDDLEPORT, TONAWANDA, NORTH TONAWANDA . . . BUFFALO, LACKAWANNA, SNYDER, EAST AURORA, JAMESTOWN

MARINE MIDLAND



Write the Marine Trust Co., Buffalo, or the Marine Midland Trust Co., New York, concerning the facilities of this state-wide organization.

MEMBERS F. D. I. C.

CALENDAR

Service Conferences

MEETING places and dates for two additional regional conferences—one in Chicago, the other in Memphis, Tennessee—have been announced by the American Bankers Association in its nationwide program for the promotion of a sound increase in banking services. The conference series was opened with the eastern meeting at Philadelphia, January 23 and 24.

The Memphis meeting takes place at the Peabody Hotel, March 26 and 27, while the Chicago gathering will be held at the Stevens Hotel, April 2 and 3.

Bankers from the following states will attend the Memphis meeting: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee and Texas.

The Chicago conference will include bankers from Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming.

Eastern Savings Bankers

THE program for the annual Eastern Savings Conference sponsored by the Savings Division, American Bankers Association, is now taking shape. It promises a Conference of unusual value to bankers interested in the savings business when they gather on March 5 at the Waldorf-Astoria, New York City, for their two-day meeting.

Efforts are being made to make the papers and discussions as practical as possible, with a view to considering the problems of the savings banks in the light of current events and trends. The Conference, for example, will discuss plans for financing real estate by banks, seeking to develop methods that will put this service on a basis which will

(CONTINUED ON PAGE 46)

A.I.B. CONVENTION

THE 34th annual convention of the American Institute of Banking will be held in Seattle, Washington, June 8–12, with headquarters at the Olympic Hotel. Six special train accommodations are being arranged to transport the delegates. An attendance of about 1,500 is expected.

The word "MUTUAL" on your Fire Insurance Policy

MEANS MONEY IN YOUR POCKET . . . AND SAFETY FOR YOUR PROPERTY

Why should fire insurance be such a misunderstood subject for so many people . . . even for business men? It's a simple subject, after all.

In its plainest terms, the purpose and intent of Mutual fire insurance is to provide every possible benefit for the policyholder at the lowest possible cost.

There are no stockholders in a Mutual fire insurance company. The profits and the savings accruing from sound, successful management belong to the policyholders.

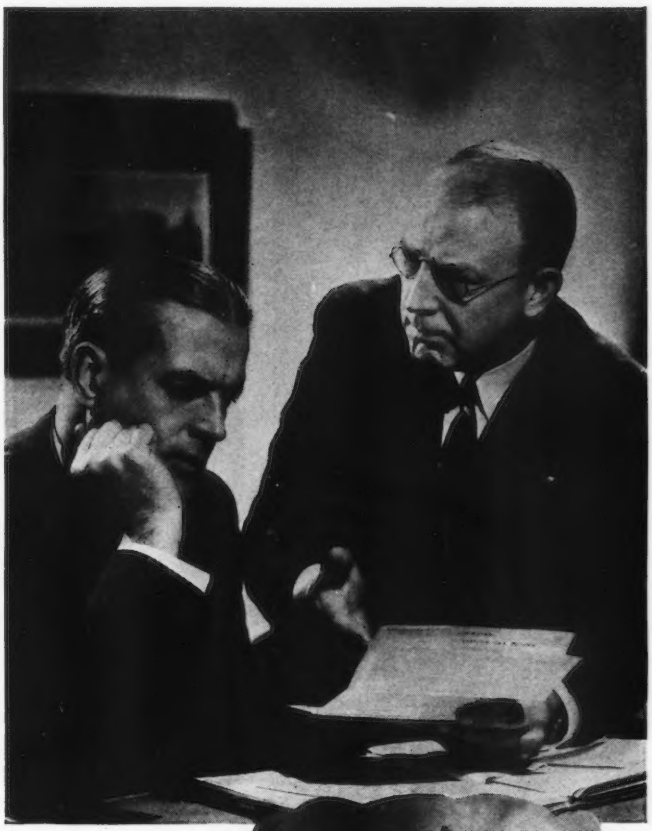
Every policyholder, without exception, is actually part-owner of his Mutual fire insurance company. He has a vote in the election of the company's directors. Conservative management assures him prompt and full payment of losses from more than ample legal and voluntary reserves. The fundamental soundness of Mutual fire insurance is based on careful selection of risks, intelligent fire-prevention work, ultra-conservative investments and unusual economy in operation.

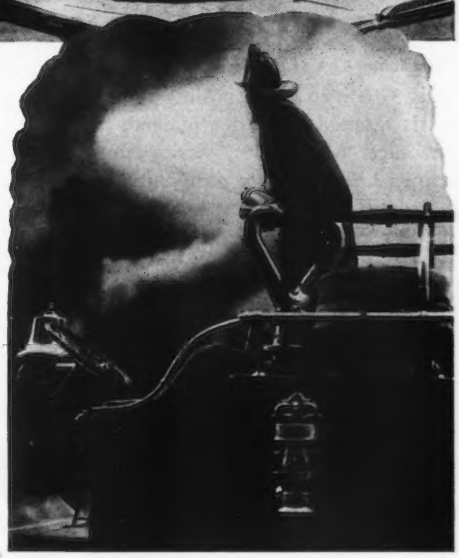
These are the reasons why Mutual fire companies, in addition to building legal and generous voluntary reserves, have been able to maintain a 184-year record of stability, and to distribute millions of dollars every year as savings, *not* to stockholders, *but* to policyholders.

Mutual fire insurance has the longest record of stability of any type of insurance carrier. The records of almost two centuries of successful operation are available to prove this. And these last few years of depression offer even stronger tangible testimony to the soundness of the Mutual principle in fire insurance, in the fact that more than $135,000,000 has been refunded by the 75 members of the Federation of Mutual Fire Insurance Companies on premiums to policyholders in the past ten years.

Write for our free booklet entitled "Mutual Fire Insurance." There is no obligation.

FEDERATION OF
MUTUAL FIRE INSURANCE COMPANIES
230 N. MICHIGAN AVE., CHICAGO





This seal identifies a member company of The Federation of Mutual Fire Insurance Companies and the American Mutual Alliance. It is a symbol of soundness and stability.

MUTUAL FIRE INSURANCE

An American Institution

We'd just as soon go back to filling in our policies in longhand as do without Ediphone Voice Writing





It has increased our business capacity 32%

(From Edison Records of the World's Business)

This 32% increase in business capacity is attested to, and explained, by an officer of one of America's best known Life Insurance companies!

Pro-technic Ediphones provide each of this company's dictators with a means of dictating at *any* time. Whenever letters have to be answered . . . whenever memoranda or information resulting from conferences, interviews, or telephone calls have to be recorded . . . each man simply turns to his "electrical 24-hour secretary" . . . and voice-writes. He thinks once. writes once, at once—and then knows that it's done. All work moves!

Investigation proved that men dictate *2½ times as fast* to the Ediphone as under the old method—with less effort! And, secretaries gain a commensurate speed in transcribing—with less effort! Speed, Action and Time Selection account for the 32% increase in this organization's business capacity.

Your firm's business capacity can be increased too—from 20% to 50%. Get the proof! See the new Pro-technic Ediphone. It's entirely different . . completely modern. Telephone The Ediphone, Your City, or write to—

Pro-technic Ediphone

Thomas A Edison INCORPORATED ORANGE, N. J. U. S. A.

Increase your profits with the New Ediphone

CALENDAR — Continued

preclude a recurrence of past difficulties. The problem will be approached from the viewpoint that perhaps the best solution is to make real estate itself sound rather than to suggest that the savings banks reduce their participation in a field where they have always been preeminent. Strong emphasis is being placed currently on construction standards that will support property values, and many banks are cooperating in this movement.

Whenever savings bankers meet, the railroad situation is always of primary interest. The Conference will offer an opportunity for further constructive discussion of the carriers' affairs, particularly as to whether the solution is to be found in greater Government participation or in the efforts of the roads themselves, and whether any forward steps have been taken since the Government began, many years ago, to intervene. This country's railway systems are an embodiment of the adventurous spirit that pushed our frontier to the Pacific Ocean, and it is possible to wonder whether this great force has, in the case of the railroads, been quenched.

The Conference will also analyze the outlook for interest rates, endeavoring to determine what the future holds in store and what the depositor can expect during the present interval of cheap money. In times of plenty banks must decide whether they shall accept all the deposits offered them, building a volume which, when rates rise, may become burdensome and embarrassing. To follow this policy places a tax on ingenuity and aggressiveness, for means must be found to use the money.

As previously announced, the Conference will be divided into four business sessions, with the addition of two luncheon meetings and the annual banquet. The President of the Division is Philip A. Benson, president of the Dime Savings Bank, Brooklyn.

Bank Management Commission

A FINANCIAL statement form for small borrowers has been designed by the Bank Management Commission, American Bankers Association.

The form, limited to both sides of a single printed sheet, is the result of a careful study of the information needed by lending institutions in making small loans, whether of the so-called personal variety or credits to corporate borrowers. It was recognized that loans of this type (CONTINUED ON PAGE 48)

Meet Today's Competition
With Today's Most Effective Profit-Creating Tools

George S. May Management Controls for Executives

INDUSTRY needs management controls, through executive incentives, more than it needs wage plans for direct and indirect labor.

The George S. May Company has met that need by providing the tools that executives must have to control expenses.

May management controls are the result of fifteen years' experience on the part of May engineers in helping 1,285 manufacturing plants with their production problems.

May management controls are graphic charts designed for each department and key man from the president down. They automatically keep expenses in direct proportion to plant activity.

Under this plan, the burden for controlling expenses is placed on these supervisors. The controls are effective because they are made a part of the earnings of these men.

This plan pays key men extra money only when existing conditions are improved and consequently the plan does not become an added expense to operations.

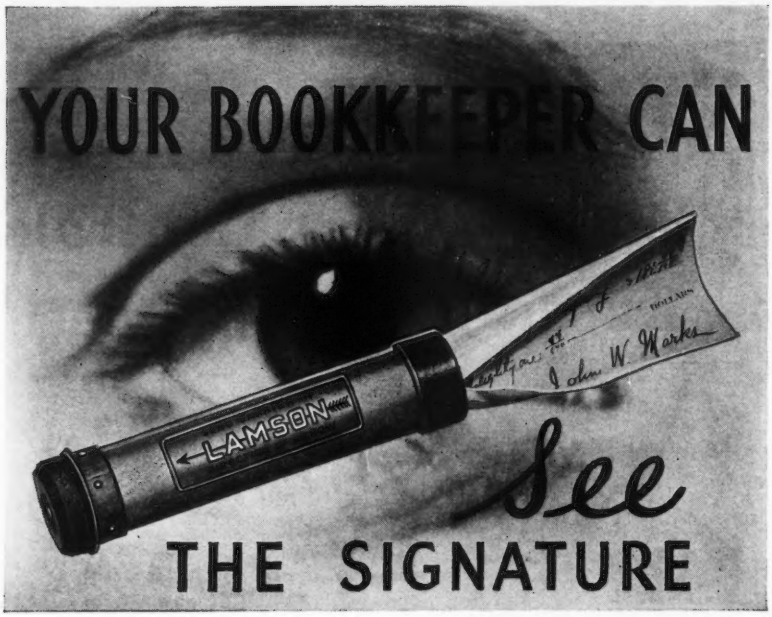
What will May Management Controls do for you?

1. They will point out the weaknesses in each department, and show just exactly where Management should concentrate.
2. They place every dollar of expense under some Key Man's control.
3. They will enable you to criticize constructively. No longer will you have to call a man in and ask, "What is the matter in your department?"
4. They will pay your Department Heads more money only if they actually earn it; you will not have to increase salaries. This plan enables each man to determine his own earnings in direct comparison to his accomplishments.
5. They will reduce your scrap percentage because quality is one of the predominating elements.
6. They will automatically reduce your manufacturing expense when requirements go down, and will likewise hold expenses in restraint when production is increasing.
7. They will keep your Key Men on the alert for Cost Reduction possibilities at all times.
8. They will promote harmony in your Company, increase Executives' wages, and bring higher profits to the Stockholders.

WRITE OUR NEAREST OFFICE FOR MAY FACTS NO. 13 SHOWING AN 11"x17" CONTROL CHART

GEORGE S. MAY COMPANY

CHICAGO: *2600 North Shore Ave.*
NEW YORK: *122 E. 42nd St.*
SEATTLE: *747 Dexter Horton Bldg.*
HUGO, OKLA.: *Box 43*
CANADA: *George S. May, Ltd., 18 Toronto St., Toronto*



LAMSON TUBES speed the check or document for written O.K.

With LAMSON TUBES distance is no barrier to positive protection! Swiftly and silently—in a few seconds—checks and other documents can be passed back and forth between teller and bookkeeper. Customers do not even realize that infomration is being exchanged.

Here is the modern communication system for modern banks. Any system which forces oral conversation, or which does not permit the signature itself to be verified, is a compromise—often a costly compromise. One or two mistakes may represent more than the small investment in a LAMSON TUBE installation.

LAMSON TUBES are your property. There is no rent to pay, no obligation calling for further outlay. Our representative will tell you all about LAMSON TUBES for your bank—or for any business in which you are interested—without obligation.

LAMSON TUBES for Increased Profits

In any type of business, a Lamson Tube System will automatically increase the productive work of employees—by smoothly speeding the interchange of papers, files and messages, preventing "piling up" and consequent delays. A Lamson representative can show you many important economies with LAMSON TUBES.



LAMSON
PNEUMATIC
TUBES

PUT YOUR BOOKKEEPER AT YOUR TELLER'S ELBOW

THE LAMSON COMPANY • SYRACUSE, N.Y.
Please send your new booklet Wings of Business.
NAME .....
BANK .....
CITY ..... STATE .....

CALENDAR — Continued

required a less detailed statement than was needed in the case of larger loans, and the form prepared permits a brief recapitulation of the borrower's assets and liabilities, life insurance, income, business, real estate and security holdings, and debts.

The Commission is also preparing to publish its annual survey of interest rates, embracing time deposits, savings deposits, six months' certificates of deposit, and Christmas clubs. The information was obtained from several thousand clearinghouse banks in the United States.

Trust Institutions Directory

THE 1935–36 Directory of Trust Institutions, Trust Men, and Trust Associations, published by the Trust Division, American Bankers Association, presents a more complete picture of the personnel of the American trust business than it was possible to give in the first directory, compiled a year ago.

The present publication shows a total of 6,949 trust men and women, or 925 more than were reported in the previous edition. It lists 2,853 trust institutions, or 279 more than the 1934–35 edition, having aggregate capital, surplus and undivided profits of $4,416,407,878 and total resources of $35,443,238,561. The institutions comprise 1,356 state-chartered trust companies and banks and 1,497 national banks with trust departments. In addition, the directory includes 192 branch offices with trust departments, making a total of 3,045 departments representing 1,684 cities and towns, or 110 more communities than were reported in the first directory.

Sixty-three local trust organizations, including 28 trust divisions and committees of state bankers associations and 35 state, county and city associations, are listed, together with the names of their principal officers. Of these groups 16 state organizations and 23 city and county associations have reported the adoption of uniform schedules of fees for trust services.

The directory shows that three new trust committees and divisions were organized in 1935: the trust functions committee of the Illinois Bankers Association, the trust division of the New Mexico Bankers Association and the trust division of the North Dakota Bankers Association. The committee on trusts of the Clearing House Association of Richmond, Virginia, appointed in 1933, is reported for the first time.

(CONTINUED ON PAGE 50)

MAIL THIS COUPON

FOR FACTS ABOUT STORE FRONTS

Free!



Pittsburgh Plate Glass Company,
2378A Grant Building, Pittsburgh, Pa.

Please send me, without obligation, your new book entitled "How Modern Store Fronts Work Profit Magic".

Name_____

Street_____

City_____ State_____

I am ☐ am not ☐ interested in the Pittsburgh Time Payment Plan.

This book contains complete information about Pittco Store Fronts and interior painting; price data; "before and after" photographs of actual Pittco-remodeled properties everywhere; and interesting statistics on how modernization meant better rentals, better business for tenants. This booklet will help you make money. Sign and mail the coupon for your free copy.





Here are three stores in Jacksonville, Fla., before and after being remodeled with new Pittco Store Fronts. Before modernization, these stores were vacant . . . now they are all profitably rented. Let Pittco Fronts give new revenue-producing power to your unproductive properties.

Listen to the Music You Love played on the air by the Pittsburgh Symphony Orchestra. Watch your local papers for announcement of first program.

ARE the store properties handled by your real estate or trust department bringing in the maximum revenue of which they are capable? Are some of them old-fashioned, hard to rent or sell? Banks throughout the country have discovered that the installation of new Pittco Store Fronts on their outmoded store properties immediately puts new life into revenues, makes those undesirable properties once more profitable and easy to rent. We suggest that you investigate the ability of Pittco Fronts to transform unproductive property into real assets once again. We are confident such an investigation will prove definitely worth while.

CARRARA STRUCTURAL GLASS
PITTCO STORE FRONT METAL
PITTSBURGH MIRRORS

PITTCO
STORE FRONTS
glass...metal...paint

PITTSBURGH PAINT PRODUCTS
POLISHED PLATE GLASS
TAPESTRY GLASS

PRODUCTS OF
Paint { PITTSBURGH PLATE GLASS COMPANY } Glass

This matter of GOOD WILL

People who come to your bank to borrow small amounts feel that they are just as much entitled to credit as the "important" customers — and rightly so.

Many institutions have discovered this after assuming that making small loans would automatically create "good will".

Small loans *can* create good will but only if they are made, serviced and collected by people who through years of experience, understand the technique of this type of banking, and have at hand the facilities to handle such accounts to the satisfaction of the borrower.

When commercial bankers refer their undesired, but not undesirable, borrowing applicants to Morris Plan — as a sound and constructive solution for all concerned — good will is created for the bank giving the introduction. Specialized methods enable Morris Plan institutions to handle such accounts with due consideration to each application.

THE MORRIS PLAN

MORRIS PLAN BANKERS ASSOCIATION

with which is affiliated the Industrial Bankers Association, Inc.

800 East Main Street, Richmond, Virginia

This series of advertisements is sponsored by Morris Plan institutions in 84 cities.

CALENDAR — Continued

CONVENTIONS

A. B. A. Meetings

Feb. 11–13	Mid-Winter Conference of Trust Division, Waldorf-Astoria Hotel, New York, N. Y.
Mar. 5–6	Annual Eastern Savings Conference, The Waldorf-Astoria Hotel, New York, N. Y.
Mar. 26–27	Regional Conference on Banking Service, Peabody Hotel, Memphis, Tennessee
Apr. 2–3	Conference on Banking Service, Stevens Hotel, Chicago, Illinois
Apr. 27–29	Spring Meeting of Executive Council, The Homestead, Hot Springs, Virginia
June 8–12	34th Annual Convention of the American Institute of Banking, Olympic Hotel, Seattle, Washington

State Associations

Apr. 16–20	South Carolina Bankers Association, on shipboard; sailing April 16 from Charleston for 5 days, with one day in Havana
May 4–6	Kansas and Missouri Bankers Associations (Joint Convention), Kansas City, Missouri
May 7–8	Oklahoma Bankers Association, Mayo Hotel, Tulsa
May 12–13	Mississippi Bankers Association
May 15–16	New Mexico Bankers Association, Raton
May 19–21	Texas Bankers Association, Hotel Rice, Houston
May 20–21	South Dakota Bankers Association, Aberdeen
May 20–22	California Bankers Association, Sacramento
May 20–22	Pennsylvania Bankers Association, Traymore Hotel, Atlantic City
May 21–22	Maryland Bankers Association, Marlborough-Blenheim Hotel, Atlantic City
May 21–23	New Jersey Bankers Association, Ambassador Hotel, Atlantic City
May 25–27	Illinois Bankers Association, St. Louis, Missouri
June 11–13	Massachusetts Bankers Association, New Ocean House, Swampscott
June 19–20	Colorado Bankers Association, Glenwood Springs
June 22–24	Wisconsin Bankers Association, Milwaukee
June 26–27	West Virginia Bankers Association, White Sulphur Springs

Other Groups

Feb. 13	Trust Companies Association of the State of New York, New York City
Feb. 20	North-Central Building and Loan Group, Chicago, Illinois
Feb. 21–22	Mid-Winter Conference of the American Savings, Building and Loan Institute, Chicago, Illinois
Feb. 22	Central States Morris Plan Bankers Association, Cincinnati
Apr. 20–22	Reserve City Bankers, Edgewater Gulf Hotel, Biloxi, Mississippi

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE: TORONTO

Established 1867

Statement of Condition on November 30, 1935

Balance of Profit and Loss Account, brought forward from last year	$ 678,983.93	These profits have been appropriated as follows: Dividends Nos. 192, 193, 194 and 195, at eight per cent. per annum	$2,400,000.00
Net Profit for the year ending 30th November, 1935, after making appropriation to Contingent Reserve Fund, out of which Fund full provision for bad and doubtful debts has been made	3,389,031.97	Dominion and Provincial Government taxes	600,000.00
		Transferred to Pension Fund	252,621.11
		Written off Bank Premises	150,000.00
			$3,402,621.11
		Balance carried forward	665,394.79
	$4,068,015.90		$4,068,015.90

GENERAL STATEMENT, 30th NOVEMBER, 1935

LIABILITIES

Notes in circulation		$ 26,729,072.35
Deposits by and Balances due to Dominion Government	$ 7,909,157.90	
Deposits by and Balances due to Provincial Governments	15,777,034.57	
Deposits by the public not bearing interest	134,020,892.63	
Deposits by the public bearing interest, including interest accrued to date of statement	360,768,425.53	
Deposits by and Balances due to other chartered Banks in Canada	1,669,896.77	
Deposits by and Balances due to Banks and Banking Correspondents in the United Kingdom and Foreign Countries	14,243,034.35	
		534,388,441.75
Advances from Bank of Canada, secured		*Nil*
Bills Payable		71,196.14
Acceptances and Letters of Credit outstanding		17,077,600.10
TOTAL LIABILITIES TO THE PUBLIC		$578,266,310.34
Dividends Declared and Unpaid	$ 4,806.55	
Dividend No. 195, payable 1st December	600,000.00	
Capital Paid up	30,000,000.00	
Rest or Reserve Fund	20,000,000.00	
Balance of Profits as per Profit and Loss Account	665,394.79	
TOTAL LIABILITIES TO SHAREHOLDERS		51,270,201.34
		$629,536,511.68

ASSETS

Gold held in Canada	$ 3,557.30	
Subsidiary Coin held in Canada	730,396.01	
Gold held elsewhere	12,924.11	
Subsidiary Coin held elsewhere	263,271.75	
Notes of Bank of Canada	4,451,267.50	
Deposits with Bank of Canada	54,233,831.41	
Notes of other chartered Banks	857,100.00	
Government and bank notes other than Canadian	862,111.91	
		$ 61,414,459.99
Cheques on other Banks	$ 17,771,315.13	
Deposits with and Balances due by other chartered Banks in Canada	67,255.49	
Due by Banks and Banking Correspondents elsewhere than in Canada	28,436,594.77	
		46,275,165.39
Dominion and Provincial Government direct and guaranteed Securities maturing within two years, not exceeding market value		76,246,966.65
Other Dominion and Provincial Government direct and guaranteed Securities, not exceeding market value		101,704,772.53
Canadian Municipal Securities, not exceeding market value		9,227,922.12
Public Securities other than Canadian, not exceeding market value		21,400,010.00
Other Bonds, Debentures and Stocks, not exceeding market value		11,065,999.13
Call and Short (not exceeding 30 days) Loans in Canada on Stocks, Debentures, Bonds and other Securities of a sufficient marketable value to cover		20,877,672.83
Call and Short (not exceeding 30 days) Loans elsewhere than in Canada on Stocks, Debentures, Bonds and other Securities of a sufficient marketable value to cover		14,994,755.72
Deposit with the Minister of Finance for the security of the Note Circulation		1,275,000.00
TOTAL QUICK ASSETS		$364,482,724.36
Current Loans and Discounts in Canada, not otherwise included, estimated loss provided for		165,473,905.38
Current Loans and Discounts elsewhere than in Canada, not otherwise included, estimated loss provided for		19,200,848.18
Loans to Provincial Governments		6,749,418.14
Loans to Cities, Towns, Municipalities and School Districts		29,307,835.37
Non-current Loans, estimated loss provided for		3,922,012.61
Liabilities of Customers under Acceptances and Letters of Credit, as per contra		17,077,600.10
Real Estate other than Bank Premises		2,423,273.22
Mortgages on Real Estate sold by the Bank		2,316,682.70
Bank Premises at not more than cost, less amounts, if any, written off		14,415,204.96
Shares of and loans to controlled companies		3,700,611.11
Other Assets not included under the foregoing heads		466,395.55
		$629,536,511.68

JOHN AIRD, *President* — S. H. LOGAN, *General Manager*

New York Agency: EXCHANGE PLACE & HANOVER ST.

C. J. STEPHENSON, N. J. H. HODGSON } *Agents* — J. E. KEYES, R. J. COWAN } *Assistant Agents*

632 Branches throughout Canada and other Countries

Branches outside Canada: Seattle, Portland, Ore.; San Francisco, Los Angeles, London, Eng.; Havana, Kingston, Jamaica; Bridgetown, Barbados; Port of Spain, Trinidad; Newfoundland, and St. Pierre et Miquelon

Guaranty Trust Company of New York

FIFTH AVE. OFFICE
Fifth Ave. at 44th St.

MAIN OFFICE
140 Broadway

MADISON AVE. OFFICE
Madison Ave. at 60th St.

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Condensed Statement, December 31, 1935

RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers		$ 620,600,525.90
Bullion Abroad and in Transit		14,960,217.00
U. S. Government Obligations		474,466,017.17
Public Securities		49,281,788.62
Stock of the Federal Reserve Bank		7,800,000.00
Other Securities		23,825,671.21
Loans and Bills Purchased		592,238,793.76
Items in Transit with Foreign Branches		2,112,677.12
Credits Granted on Acceptances		37,352,025.40
Bank Buildings		13,547,352.39
Other Real Estate		337,581.50
Real Estate Bonds and Mortgages		2,990,698.74
Accrued Interest and Accounts Receivable		7,920,513.65
		$1,847,433,862.46

LIABILITIES

Capital	$ 90,000,000.00	
Surplus Fund	170,000,000.00	
Undivided Profits	7,398,411.72	
		$ 267,398,411.72
Dividend Payable January 2, 1936		2,700,000.00
Accrued Interest, Miscellaneous Accounts Payable, Accrued Taxes, etc.		15,076,421.38
Acceptances	$71,334,590.24	
Less: Own Acceptances held for Investment	33,982,564.84	
		37,352,025.40
Liability as Endorser on Acceptances and Foreign Bills		8,840,400.00
Agreements to Repurchase Securities Sold		2,135,441.00
Deposits	$1,485,303,641.18	
Outstanding Checks	28,627,521.78	
		1,513,931,162.96
		$1,847,433,862.46

WILLIAM C. POTTER, Chairman — W. PALEN CONWAY, President

EUGENE W. STETSON, Vice-President

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EUGENE W. STETSON . . . . Vice-President
CORNELIUS VANDERBILT WHITNEY Banker
GEORGE WHITNEY . of J. P. Morgan & Co.
L. EDMUND ZACHER . . . . . President, The Travelers Insurance Company

(Member Federal Deposit Insurance Corporation)

Self-Liquidating Loans

MOUNTING deposits and the lack of a demand for loans are most important problems facing bankers today. Increased operation costs, together with deposit insurance premiums, have added to the burden of expense on idle funds.

In order to combat such a condition many of the large institutions have attempted to scatter their excessive funds in six-month certificates of deposit among small banks throughout the country. The large banks were anxious to invest a portion of their funds at 2 or 2½ per cent interest until more profitable investments could be found. Doubtless the numerous governmental lending agencies are largely responsible for the decrease in bank loans and profits. In an effort to compete with Government banking, banks have reduced interest rates to a point where the margin of profit is too small to justify the service.

Bankers who are seeking new outlets for idle funds will find that the home appliance loan field offers investment opportunities as well as a chance to supply a needed service to local dealers. Household appliances such as electric refrigerators, heaters and washing machines should be classed as self-liquidating loans. It has been estimated that over 75 per cent of the home appliances sold today are financed on the instalment plan. An investigation in local communities may reveal that out-of-town finance companies are purchasing this form of paper that should be coming into local banks. Products that return the purchaser profits in the form of savings should be financed by local banks.

Bankers who do not wish to handle the numerous small instalment notes may make loans direct to dealers covering bill of lading shipments of home appliances. This plan enables the dealer to take advantage of the cash discount and keep on hand an attractive stock of the latest models. Under the plan the dealer furnishes a portion of the purchase price of the goods and the bank advances the balance on a collateral note, or mortgage. The dealer is required to keep the products insured and the policy is delivered to the bank at the time the loan is made.

Many of the appliances sold by the dealer will no doubt be handled through

(CONTINUED ON PAGE 54)

The New York Trust Company

Member of the Federal Reserve System, the New York Clearing House Association and of the Federal Deposit Insurance Corporation

100 BROADWAY

40th St. & Madison Ave. Fifth Ave. & 57th St.

CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1935

ASSETS		LIABILITIES		
Cash on Hand, and in Federal Reserve and Other Banks	$44,926,160.58	Deposits	$340,553,428.35	
Exchanges, Collections and Other Cash Items	50,398,449.18	Outstanding and Certified Checks	24,904,852.16	$365,458,280.51
United States Government Securities	149,699,900.00	Dividend Payable January 2, 1936		625,000.00
Reconstruction Finance Corporation Notes	2,500,000.00	Agreements to Repurchase Securities Sold		4,500,995.26
Other Bonds and Securities	37,598,336.09	Accounts Payable and Other Liabilities		1,535,730.76
Loans, Discounts and Bankers' Acceptances	123,043,451.31	Acceptances and Letters of Credit		3,421,923.47
Interest Receivable, Accounts Receivable and Other Assets	2,092,445.74	Acceptances, etc., Sold with Our Endorsement		477,486.06
Real Estate Bonds and Mortgages	2,545,479.42	Reserve for Contingencies		9,429,026.32
Customers' Liability for Acceptances and Letters of Credit	2,985,243.22	Capital	$12,500,000.00	
Liability of Others on Acceptances, etc., Sold with Our Endorsement	477,486.06	Surplus	20,000,000.00	
Equities in Real Estate	697,734.86	Undivided Profits	1,727,328.92	34,227,328.92
Banking Premises—Equity and Leasehold	2,711,084.84			
	$419,675,771.30			$419,675,771.30

United States Government obligations and other securities carried at $25,012,173.29 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

Trustees

MALCOLM P. ALDRICH
New York

ARTHUR M. ANDERSON
J. P. Morgan & Company

MORTIMER N. BUCKNER
Chairman of the Board

JAMES C. COLGATE
James B. Colgate & Company

WILLIAM F. CUTLER
Vice-President
American Brake Shoe & Fdy. Co.

FRANCIS B. DAVIS, JR.
President, United States Rubber Co.

HARRY P. DAVISON
J. P. Morgan & Company

RUSSELL H. DUNHAM
President, Hercules Powder Company

SAMUEL H. FISHER
Litchfield, Conn.

JOHN A. GARVER
Shearman & Sterling

ARTEMUS L. GATES
President

F. N. HOFFSTOT
President, Pressed Steel Car Co.

B. BREWSTER JENNINGS
Standard Oil Co. of New York

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President, Lehigh Valley Railroad Co.

ROBERT A. LOVETT
Brown Brothers Harriman & Co.

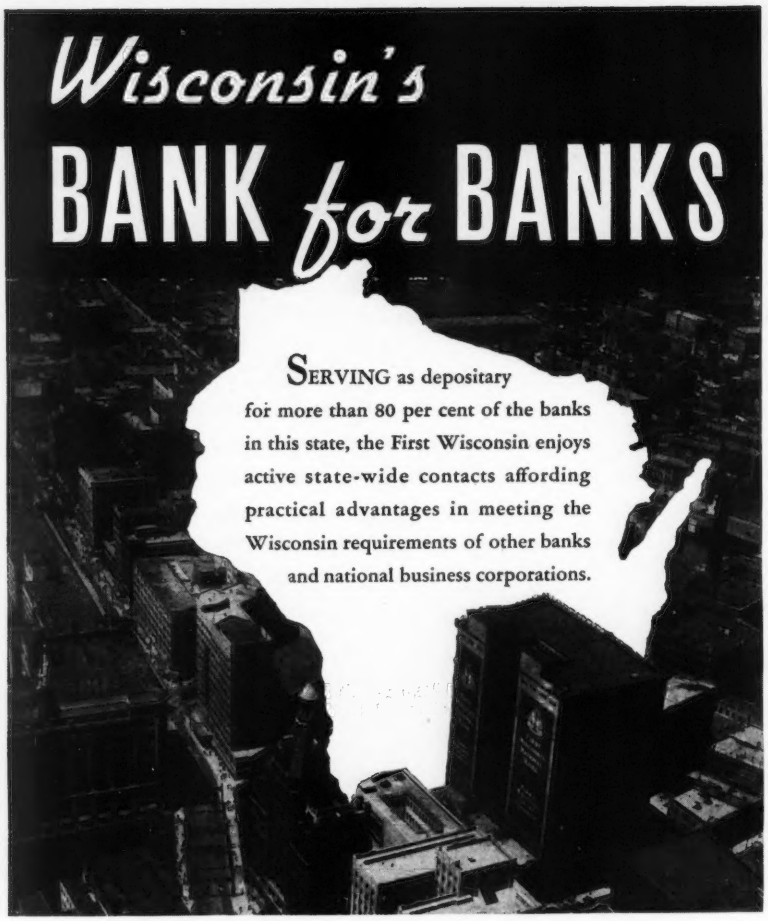
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New York

HARRY T. PETERS
New York

DEAN SAGE
Sage, Gray, Todd & Sims

LOUIS STEWART, SR.
New York

VANDERBILT WEBB
Milbank, Tweed, Hope & Webb



★ ★ **STATEMENT OF CONDITION** ★ ★

December 31, 1935

Resources		*Liabilities*	
Loans and Discounts	$ 38,633,855.73	Preferred Stock	$ 10,000,000.00
U. S. Government Securities	89,382,512.13	Common Stock	5,000,000.00
Other Securities	2,654,510.59	Surplus	2,500,000.00
Stock in Federal Reserve Bank	525,000.00	Undivided Profits	582,176.53
Bank Buildings	4,203,143.09	Reserve Accounts	614,674.55
Real Estate	908,655.67	Other Liabilities	721,039.08
Accrued Income Receivable	373,439.77	Deposits	179,982,056.42
Other Resources	3,405,263.05		
Cash and Due from Banks	59,313,566.55		
	$199,399,946.58		$199,399,946.58

FIRST WISCONSIN
NATIONAL BANK *of Milwaukee*
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

instalment notes which can either be financed by the bank or converted into cash by sales to finance companies. While a loan of this nature may be made to mature in a period of time not exceeding 90 days, the paper is profitable to the bank because the legal rate of interest is charged, plus a service charge depending on the time and service rendered on each loan. It is always a wise policy to place the loans under the personal supervision of an officer of the bank who must make a periodic check on the collateral sold, and also on the amount of goods the dealer has in stock.

Banks having small loan departments will find that the instalment notes can be handled without any increase in overhead, with the exception of the purchase of a few forms. In accepting instalment notes from dealers our bank requires the endorsement of the firm as well as a mortgage on the product sold. We also require a short form financial statement from the customer which the dealer secures at the time the note is executed. In addition to the above precautions we require that dealers maintain a margin on each note purchased by our bank. When settlement on a note is made with the dealer we deduct 10 per cent of the face amount of the note and credit this amount to a reserve account in the name of the dealer on the individual books. The reserve account is not subject to check and the funds are held to secure delinquent payments and offer a margin of safety on the paper. On instalment notes we charge interest at the rate of 8 per cent and also a service charge of not less than 50 cents for each payment made.

While the first plan described might appeal to banks which prefer to make direct loans to dealers in lump sums, the latter plan offers an excellent opportunity for profitable loans with a spread of liability.

GEORGE R. SMITH

●

The author, cashier of The Commercial National Bank of Demopolis, Alabama, writes: "My personal investigation in our community revealed that some dealers have accumulated large reserve balances with finance companies that had been buying their home appliance paper. I saw no reason why our bank should not go after these loans and also hold in reserve a portion of the loan to take care of possible losses. The article outlines two sample plans for handling home appliance loans, which I have termed self-liquidating loans, at a profit. A profitable loan field will develop from this form of financing."

THE HOME
INSURANCE COMPANY
NEW YORK

165TH
SEMI-ANNUAL STATEMENT
December 31, 1935

DIRECTORS

JOHN CLAFLIN
LEWIS L. CLARKE
WILLIAM S. GRAY
CHARLES L. TYNER
CHARLES G. MEYER
WILLIAM L. DE BOST
WILFRED KURTH
EDWIN A. BAYLES
GORDON S. RENTSCHLER
ROBERT GOELET
HERBERT P. HOWELL
MORTIMER N. BUCKNER
FRANK E. PARKHURST
GEORGE McANENY

ORGANIZED 1853

ASSETS

Cash in Banks and Trust Companies	$11,153,403.51
United States Government Bonds	3,055,349.65
All Other Bonds and Stocks	90,404,886.80
Premiums uncollected, less than 90 days due	7,686,885.20
Accrued Interest	256,779.00
Other Admitted Assets	649,558.00
	$113,206,862.16

LIABILITIES

Capital Stock	$14,500,000.00†
Reserve for Unearned Premiums	37,002,162.00
Reserve for Losses	4,468,844.00
Reserve for Unpaid Reinsurance	685,991.50
Reserve for Taxes and Accounts	2,000,000.00
Conflagration Reserve	2,000,000.00†
NET SURPLUS	52,549,864.66†
	$113,206,862.16

NOTE—On the basis of December 31, 1935 market quotations for all Bonds and Stocks owned the total admitted Assets would be increased to $119,722,222.71 and the net Surplus to $59,065,225.21. Securities carried at $2,596,479.00 and cash $50,000.00 in the above statement are deposited as required by law.

SURPLUS AS REGARDS POLICY-HOLDERS,
$69,049,864.66†

Strength «» Reputation «» Service

The Cleveland Trust Company

Located at Euclid Avenue and East Ninth Street and in Community Centers throughout Greater Cleveland and nearby

CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1935

Assets

Cash on Hand and in Banks	$93,459,921.43
United States Government obligations, direct and fully guaranteed	53,433,165.30
State, Municipal and Other Bonds and Investments, including Stock in Federal Reserve Bank, less Reserves	12,906,294.95
Loans, Discounts and Advances, less Reserves	155,898,321.80
Banking Premises	5,843,628.45
Other Real Estate	11,623,082.20
Interest and Earnings Accrued and Other Resources	4,380,511.49
Customers' Liability on Acceptances and Letters of Credit Executed by this Bank	188,081.86
Total	**$337,733,007.48**

Liabilities

Capital Notes (Subordinated to Deposits and Other Liabilities)	$15,000,000.00	
Capital Stock	13,800,000.00	
Surplus and Undivided Profits	3,054,985.50	
		$31,854,985.50
Reserve for Contingencies		350,000.00
Reserve for Taxes, Interest, etc.		1,313,768.03
DEPOSITS		
Demand	$124,328,380.30	
Time	154,231,890.40	
Cash Balances of Estates and Corporate Trust Departments (Preferred)	24,616,149.79	
		$303,176,420.49
Other Liabilities		849,751.60
Acceptances and Letters of Credit Executed for Customers		188,081.86
Total		**$337,733,007.48**

MEMBER FEDERAL RESERVE SYSTEM
MEMBER CLEVELAND CLEARING HOUSE ASSOCIATION

Member F. D. I. C.

Loss Prevention

(CONTINUED FROM PAGE 29)

ganization are worth as much or more from a credit standpoint than is the balance sheet. Thirdly, the bank is within its rights to make any investigation of statements submitted to it that it may deem advisable.

Too frequently operating statements of business borrowers are conspicuous by their absence from the credit files of banks. Yet the ability to pay is not as well reflected in the balance sheet as in the operating statement. The balance sheet might show assets sufficient to pay the borrowings at maturity, but those assets might be frozen. If a small business is making money it can meet its obligations, whereas a large concern that is losing money will allow its note obligations at the bank to remain there until they become frozen. The excuse that the bank has frozen assets is not acceptable to depositors.

A MATTER FOR JUDGMENT

SOMETIMES desirable new clients have been refused because their balance sheets were not considered satisfactory. A case in point is that of a small dealer in automobile supplies who had started his business on a shoestring, but had consistently made money. At the time of the request for a $1,000 loan he had been in business for a little over two years. He needed $1,000 for the purchase of some tires at a special price; he felt sure he could turn them over at a good profit within 90 days.

In the two years' time he had brought the business from nothing to where he had an inventory of salable merchandise of around $2,000. The bank to which he first applied turned down the loan. He applied to another bank and got the money. The loan was paid off before maturity and the small dealer had made a profit of over $400 on the tires.

Many cases could be cited to show that character and ability to pay will ever remain the chief factors in successful lending policies. Without character and ability to pay, collateral becomes of a very secondary value. A consistent policy of insisting on these two points when making loans, and then continually following up all loans even after they have been charged to profit and loss, will materially reduce the net losses. The control and reduction of net credit losses is an important factor in maintaining the satisfactory profit ratio that is an important factor in maintaining a safe bank.



Statement of Condition December 31, 1935

Assets

Cash, Due from Banks and Bankers		$190,298,399.40
Exchanges for Clearing House		82,091,686.47
U. S. Government Securities		458,595,209.04
Demand Loans		50,794,858.23
Time Loans and Bills Discounted		158,125,324.39
State and Municipal Bonds		38,347,515.33
Stocks of Federal Reserve Bank and Bank for International Settlements		2,280,000.00
Other Securities and Investments		12,433,041.14
Mortgages Owned		2,367,853.17
Banking Premises		20,115,981.66
Real Estate Formerly Occupied as Banking Premises		1,398,104.65
Accrued Interest and Accounts Receivable		3,905,334.92
Customers' Liability on Acceptances		3,765,941.12
Liability of Others on Acceptances, etc., Sold with Our Endorsement		7,149,707.34
		$1,031,668,956.86

Liabilities

Capital	$25,000,000.00	
Surplus Fund	50,000,000.00	
Undivided Profits	18,386,034.68	$93,386,034.68
Contingency Fund		13,966,038.36
Deposits	860,783,719.92	
Outstanding and Certified Checks	49,592,323.18	910,376,043.10
Dividend Payable January 2, 1936		1,250,000.00
Accrued Interest Payable		30,833.39
Unearned Interest		229,308.07
Reserve for Taxes and Expenses		1,087,410.46
Outstanding Acceptances	8,282,772.03	
Less Amount in Portfolio	4,089,190.57	4,193,581.46
Acceptances, etc., Sold with Our Endorsement		7,149,707.34
		$1,031,668,956.86

Assets carried at $2,959,175.30 have been deposited to qualify for the exercise of fiduciary powers and for other purposes.

DIRECTORS

SEWARD PROSSER, *Chairman, Managing Committee* — A. A. TILNEY, *Chairman of the Board*
HENRY J. COCHRAN, *Vice Chairman of the Board* — S. SLOAN COLT, *President*

STEPHEN BIRCH, WILLIAM L. DE BOST, JAMES G. HARBORD, PAUL MOORE
CORNELIUS N. BLISS, JOHN I. DOWNEY, FRED I. KENT, DANIEL E. POMEROY
THOMAS COCHRAN, S. PARKER GILBERT, GATES W. MCGARRAH, HERBERT L. PRATT
JOHN J. RASKOB, CHARLES L. TIFFANY, B. A. TOMPKINS

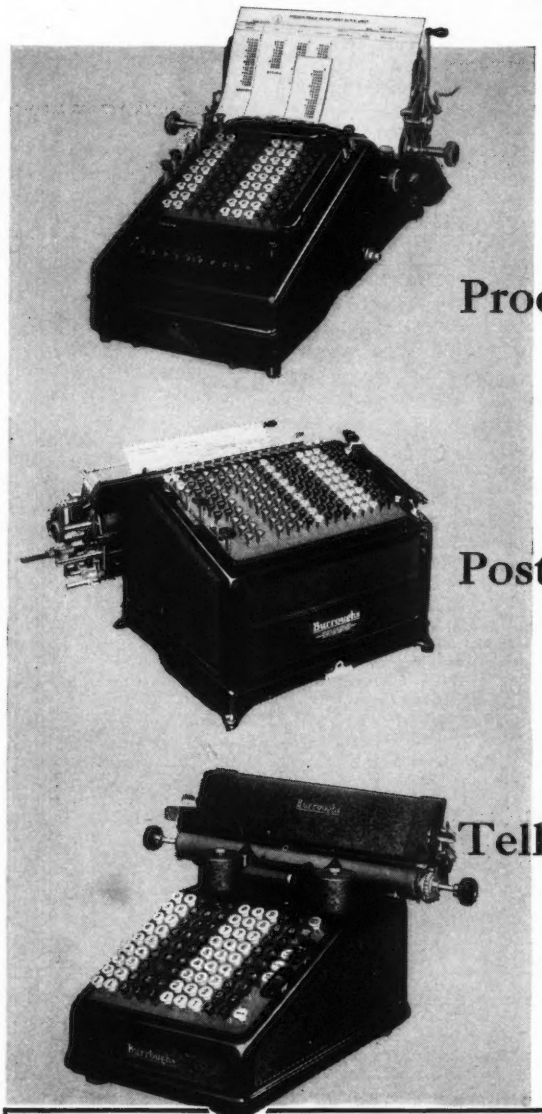
BANKERS TRUST COMPANY

16 WALL STREET • NEW YORK

FIFTH AVENUE at 42nd STREET • 57th STREET at MADISON AVENUE
LONDON OFFICE: 26 OLD BROAD STREET

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SIMPLICITY BEGINS *with the* KEYBOARD



That's why bankers prefer Burroughs for—

Proof and Transit Work

Burroughs Proof-Transit Machines

Preferred by bankers everywhere because their flexibility permit an exchange of work between proof and transit departments, thereby reducing peak loads. Also preferred because of the Short-cut Keyboard, which means greater speed and uniform accuracy.

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Post, prove and journalize customers' ledgers or statements in *one* operation. The Short-cut Keyboard, combined with other Burroughs features scientifically designed for fast posting work, results in the *highest known* efficiency, simplicity and economy.

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Bankers are finding these Desk Adding-Subtracting Machines and Desk Duplex Machines an indispensable aid to their daily routine of preparing the teller's blotter, savings journal, trial balance, and in handling other jobs. They like the ease and speed of the Short-cut Keyboard and the convenience of the motor bars.

THE BURROUGHS VISIBLE KEYBOARD

THE SHORT-CUT KEYBOARD

For the past half-century bankers have preferred the Burroughs Visible Keyboard. The many *short-cuts* this keyboard provides result in greater simplicity, increased speed, consistent accuracy. It is the *only* type of keyboard on which amounts *ordinarily requiring a series of key depressions* are written as a *single* unit. It is the *only* type of keyboard on which entire amounts *and* the motor bar are depressed *together*. It is the *only* type of keyboard on which ciphers are *automatic*. Thus the Burroughs Short-cut Keyboard means *fewer* motions—and fewer motions enable operators to make *exceptional* speed in handling bank work.

BURROUGHS ADDING MACHINE CO., DETROIT

Burroughs

Barometer

(CONTINUED FROM PAGE 21)

rent fiscal year. There is general expectancy that the sum later to be required for direct relief will be something like $1,500,000,000, thus raising the prospective deficit to a little over two and a half as compared with three and a quarter billion dollars for the current year. To this, however, must be added the cost of agricultural adjustment.

It follows, naturally, that all promises of no new or increased taxes have been thrown into the discard along with the A.A.A. and the hopes that bonus legislation could be avoided. Whatever form and evolution takes place in agricultural relief it must be paid for out of taxes to replace the processing levies. Whatever the final cost of bonus payments, it will involve the early use of considerable cash, if only to make change.

INFLATION TALK

IN connection with both agricultural relief and the bonus payment there has been the usual recurrence of inflation talk. In the minds of some of the inflationist agricultural bloc in Congress such a step would ease the situation by increasing the prices of agricultural products. That it would also increase prices of everything else is overlooked.

One faction in Congress would further devalue the dollar on general principles. All such talk has been immediately reflected in the value of the dollar abroad. It would be unwise to discount completely such propositions. Support for any or all of them in Congress is strong and there is no telling what the Government might do under sufficient pressure. Nevertheless there is probably less danger of actual currency inflation now than there has been in the opening weeks of any session of Congress since the special session of 1933.

Decisions in the two principal cases involving the recovery program of the Government have cast doubts upon many other measures and many Federal agencies. Until the Court record is complete there will be much legislative floundering which may be further complicated by some new and striking *coup d'etat* and which in any event will attend efforts to reorganize or supplant agencies and policies which the Court has thrown into the discard. The congressional session of 1936 may become as memorable as the decisions of the Supreme Court which have left their impress upon it.

GEORGE E. ANDERSON



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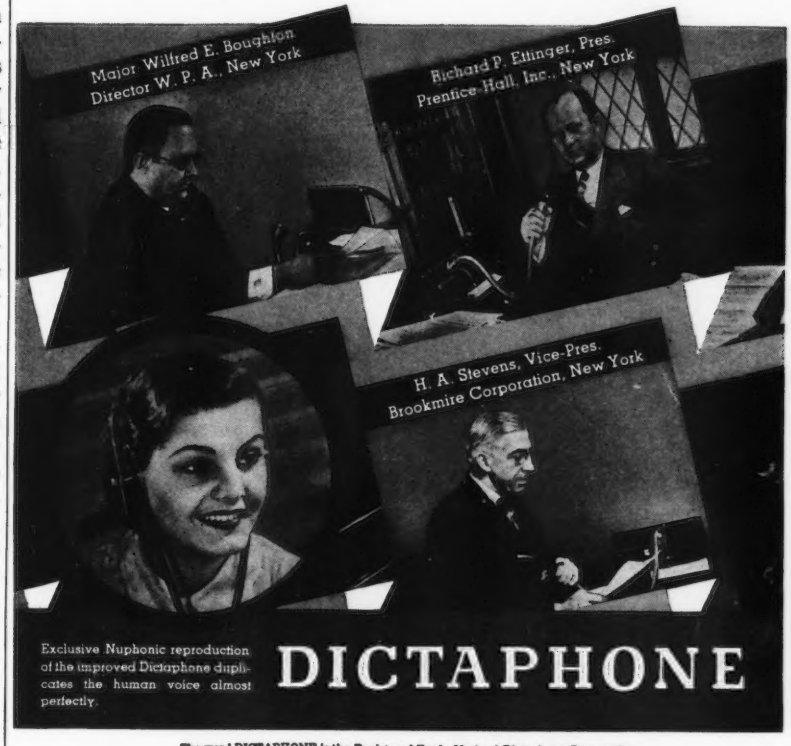




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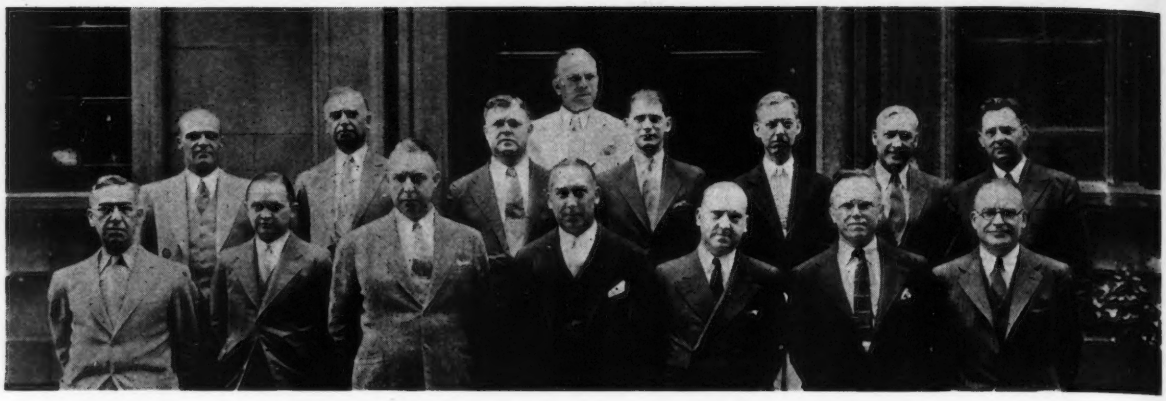
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☐ I want to see your representative.
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Company.....

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Faculty of the Graduate School of Banking, 1935 Resident Session

Front row, left to right: RICHARD W. HILL, registrar; JOHN J. DRISCOLL, specialist in bank management and analysis; DR. HAROLD STONIER, director; ADRIAN M. MASSIE (vice-president, The New York Trust Company), director of investment studies; DR. GEORGE W. EDWARDS (head of the economics department, College of the City of New York), director of investment studies; DR. WILLARD E. ATKINS (professor of economics, New York University), head of the economics department; DR. AUSTIN W. SCOTT (professor of law, Harvard University Law School), director of legal studies and trusts.

Back row, left to right: WALTER ELDER (associate director, Rutgers University extension division), assistant registrar; O. HOWARD WOLFE (cashier, Philadelphia National Bank), director of bank management studies; GILBERT T. STEPHENSON (vice-president, Equitable Trust Company, Wilmington, Delaware), director of studies in trust business; DR. EUGENE E. AGGER (professor of economics and business research, Rutgers), associate director; EDWARD STONE, economics faculty; NORMAN C. MILLER (director, Rutgers extension division), associate registrar; JAMES BRINES (assistant professor of psychology, Rutgers), director of physical education; GEORGE P. BARSE (general counsel for the office of the Comptroller), director of studies in banking law.

The Graduate School in 1936

STUDENTS of the Graduate School of Banking, sponsored by the American Institute of Banking and the American Bankers Association, have completed half of their ten months' extension course. Supplementing and enlarging the work of the first resident session last summer, these home studies also serve as an approach to the second session at Rutgers University June 22 to July 3.

Meanwhile, plans for this year's resident session are going forward. The enrollment, which last year was 220, is to be increased to 400, thus giving the school a greater opportunity for service. Also, the faculty is being increased. For the course in bank management, which is the most popular of the major studies, two instructors are being added: William G. Price, second vice-president, The National City Bank of New York, and Alexander Wall, secretary of the Robert Morris Associates.

Inasmuch as economics is a required subject for all students, the teaching staff in this department is to be augmented by three professors: Adelbert A. Friederick, of New York University; George F. Luthringer of Princeton University; and Stewart Meech, of the University of Chicago.

Registration for the 1936 session opens February 15, closing April 1.

The extension program, planned by the school faculty, is designed to develop in detail the material presented in the lectures heard by the bankers during their fortnight on the university campus. Those two weeks were entirely devoted to attendance at classes, leaving virtually no time for study. Late in September, however, the students took up the task of filling out the framework built at Rutgers, and mid-term finds them devoting many hours to special assignments for study. The willingness to work has been particularly gratifying to the school faculty and board of regents, for the success of this unusual adult education project must depend in large measure on what is accomplished by the men themselves.

Each banker receives a monthly assignment in the major subject he elected last Summer. His faculty adviser sends him a problem, together with a reading list and questions based on the material, and the student then prepares a paper which is submitted to the Board of Regents. His work is carefully reviewed and criticized. The best paper turned in each month is selected as a model and mimeographed copies of it are sent to other students taking the same course.

The bank management section, for example, has been making a series of studies based on the weekly statements of the Federal Reserve banks over a ten weeks' period. The value of these statements as a financial barometer had been discussed at the resident session; now, by actually analyzing them for himself, the student has a thorough understanding of what the figures are, and what they indicate.

The reading assignments cover not only textbooks but such material as the studies published from time to time by the Bank Management Commission of the American Bankers Association. The school constantly endeavors to link theory and practice.

In addition, the students have begun work on the theses which must be finished by 1937 as a qualification for graduation. Each man is preparing the material for the outline of his thesis on the banking subject of his choice. This outline, together with notes and sources, must be submitted by next June to the faculty which will criticize his efforts and make suggestions. The actual writing of the dissertation will be done during 1936–37.

In approaching the thesis assignment it was suggested that the student select a topic which appealed to his own interests and which, as it was developed, would assist him in his work at the bank. The papers, when completed, are expected to produce a real contribution to banking, for they will be the results of careful research in a variety of fields, supplemented by the practical experience of the authors.

The gathering of data is usually the most formidable part of a thesis, and to guide the bankers in this important preliminary the faculty members have offered a number of helpful suggestions. One instructor in investments, for instance, outlined for his students the necessary steps, after choice of topic, in a memorandum which can be summarized as follows:

In compiling the bibliography consult the various periodical subject indexes in the local library, such as cumulative book index, international index, magazine subject index, new guide to reference books, a newspaper index, Public Affairs Information Service, and the Readers' Guide to Periodic Literature.

PRELIMINARY WORK

EACH reference to an article or publication from these sources should be placed on a separate 3 x 5 filing card. Placing the books on separate cards will enable arrangement in convenient order.

Consult the library's card catalogue. This is really an inventory of the library and contains a card for every book, pamphlet and periodical. Each bibliography card should have the following data: author's name, title of book, facts of publication (place, publisher, etc.), and library call number.

Look over the table of contents, preface and index of each book to see what material is worth while. Note on each bibliography card whether the book is good or worthless as source of information. If it is good, indicate the specific portions which are worth while and the subjects discussed in the book or periodical.

Make a careful and systematic record of all the important facts and opinions obtained from each book. This information should be written on note cards which are separate from the bibliography cards. Each should have three points of information: (1) at the top, some leading word or phrase to summarize briefly the subject; (2) the information itself; (3) the source of the information.

In reading, be careful not to make the mistake of trying to cover the ground too quickly. It is far better to read carefully a small number of sources than to read hurriedly a large number of volumes. At the same time keep a sense of the relative value of the material so that irrelevant parts of the book can be skimmed over. It is sometimes a good idea to read the entire book for the first time quickly, jotting down the more important sections or pages. Then the student can consider these selected parts more carefully in the second reading.

Make an outline of what the thesis is to cover. This outline should have logical headings and under each there should be subheads. The outline should serve the same use as a blueprint which indicates the plans of a new building.

In this early stage of preparation, attention should be given to the organization of statistical data into tables. Each table should be given a specific number, so that ready reference may be made to them. In transcribing the data check back all figures in most cases.

The instructor's memorandum concluded by reminding the students that if this thesis work in the first year is carefully done, the thesis during the second year will practically write itself.

The First National Bank *of* Chicago

Statement of Condition December 31, 1935

ASSETS		
Cash and Due from Banks,		$355,432,816.06
United States Obligations—Direct and fully Guaranteed,		
Unpledged,	$235,254,811.28	
Pledged—To Secure Public Deposits,	10,250,641.25	
To Secure Trust Deposits,	52,547,902.68	
Under Trust Act of Illinois,	550,000.00	298,603,355.21
Other Bonds and Securities,		64,513,034.72
Loans and Discounts,		187,973,687.66
Real Estate (Bank Building),		9,043,410.26
Other Real Estate,		1,896,963.56
Federal Reserve Bank Stock,		1,800,000.00
Customers' Liability Account of Acceptances,		3,323,974.80
Interest Earned, not Collected,		1,848,300.30
Other Assets,		958,701.20
		$925,394,243.77
LIABILITIES		
Capital Stock—Preferred,		$15,000,000.00
Capital Stock—Common,		25,000,000.00
Surplus Fund,		15,000,000.00
Other Undivided Profits,		1,879,088.41
Discount Collected but not Earned,		537,463.37
Dividends Declared—		
On Common Stock, Payable in 1936,		750,000.00
On Preferred Stock, Payable February 1, 1936,		262,500.00
Reserve for Taxes, etc.,		1,674,880.87
Liability Account of Acceptances,		3,562,971.77
Time Deposits,	$156,254,006.70	
Demand Deposits,	586,455,404.19	
Deposits of Public Funds,	117,700,332.49	860,409,743.38
Liabilities other than those above stated,		1,317,595.97
		$925,394,243.77

Contingent Liability on Foreign Bankers' Acceptances bearing our Endorsement, $380,998.10

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

LAWRENCE SYSTEM

FIELD WAREHOUSING OFFERS *B. S. F. U. R.

(Bankers' Surplus Funds Unemployment Relief)

Here is a safe, simple means of constructing loans that will greatly relieve the pressure of your unemployed millions of dollars.

Hundreds of loan officers in every section of the country are using Lawrence System Field Warehousing as a safe means of taking on large new credits, as well as increasing legitimately the borrowing capacity of many old customers whose working capitals, depleted by depression, are inadequate for their expansion recovery programs.

By this intelligent construction work, they are answering, to a large extent, the problem of what to do with their millions of dollars of surplus funds available for lending.

Lawrence System Field Warehousing has a background of more than 20 years of successful safeguarding of borrowers' inventories in behalf of the lenders' interests. During that period, in the handling of thousands of loans, banks have profitably protected their depositors' money by this flexible method of issuing negotiable warehouse receipts against inventory—right where it is.

Plant Inventories We Have Field Warehoused

Canned Goods	At the Canneries
Dried Fruit	At Packing Plants
Olives	In Brine Tanks
Wool	At Dealers and Mills
Logs	In the Booms
Petroleum	In Field Storage Tanks
Lumber	In Mill Yards
Groceries	At the Wholesalers
Airplanes	Where They Are Made
Hides	At Tanneries
Grain	In Elevators
Coal	On Coal Docks
Beer	In Brewery Vats
Wine	In Aging Tanks
Sugar	At Mills
Whiskey	At Distilleries

Plus Scores of Other Products Stored in Factory Rooms, Bins, Vats, Tanks, Yards, Docks, etc.

A glance at the partial list of hundreds of commodities against which we have issued our receipts, under seemingly impossible conditions, will convince you that you can't say, "Field Warehousing wouldn't work with this account"—until you have checked in with us.

And regarding the matter of adaptability of field warehousing in any case—our nearest office will be most pleased to consult with you (confidentially) without cost to you.

* GUARANTEED CONSTITUTIONAL

Copies of the pamphlet, "Warehouse Receipts as Collateral," are obtainable free, postage paid, from any of our offices, on request.

LAWRENCE SYSTEM

FIELD WAREHOUSING

MEMBER: AMERICAN WAREHOUSEMEN'S ASSOCIATION—SINCE 1916

LAWRENCE WAREHOUSE COMPANY

A. T. GIBSON, PRESIDENT

NEW YORK 52 Wall Street	CHICAGO One North LaSalle	BUFFALO Liberty Bank Bldg.	SAN FRANCISCO 37 Drumm St.	LOS ANGELES W. P. Story Bldg.
PORTLAND, ORE. U. S. National Bank Bldg.	SPOKANE, WASH. 155 S. Stevens	HOUSTON Second National Bank Bldg.	DALLAS Santa Fe Bldg.	HONOLULU, T. H. Dillingham Transportation Bldg.

"CERTIFIED" ON CHECKS . . "LAWRENCE" ON WAREHOUSE RECEIPTS

Home Building

THE financial phase of home building was discussed briefly by Robert V. Fleming, President of the American Bankers Association, at a building industry forum sponsored by Johns-Manville Corporation on January 13 and broadcast over a nationwide radio network.

Other speakers included Stewart McDonald, Federal Housing Administrator, who asked for the coordination of all branches of the industry to promote sound residential construction as a basic step in economic recovery.

Mr. Fleming referred to the fact that comfortable, convenient homes "that are practically within the reach of even very moderate incomes" were now being constructed.

FINANCING

"IN order that homes may be built with all of these modern conveniences and luxuries," he said, "financing, of necessity, is an important phase of this development. Since the days of the depression we have learned much with respect to some of the practices in connection with home financing that worked hardships both upon the purchaser and the lender, and while these lessons have been very severe, I think now the research which has been made in the light of this experience has brought about changes which will be most helpful in the stimulation of this industry, and to the purchaser of a home as well as those who assist in the financing.

"In the main, the financing of the building of homes and the assistance in the acquiring of them have been handled by the banks, life insurance companies and building and loan associations. Due to depressed conditions following the severe drop in all values and the fear of investors as well as depositors in the banks which led them to endeavor to convert either their assets or their bank deposits into cash, the building industry for a while stood still. People no longer have this fear, and these institutions are now able to resume their normal functions.

"As far as banking is concerned, it must be recognized that many of our greatest institutions are purely commercial banks and have not been organized for the purpose of lending on real estate. Lending on real estate is a separate branch of lending with its own peculiar problems and can be undertaken with safety only by those experienced and properly equipped.

"The Congress of the United States has recognized that there are limits as to the extent to which certain types of banking institutions can go in extending this class of credit, but at the same time it formulated provisions which give encouragement and assistance in the construction and acquiring of homes on sound financial lines.

"One of the great hazards of mortgage lending in the past has been unscientific appraisals, but, through the influence of various laws aimed to correct this condition I am very hopeful that approved methods are being advanced, with higher standardizations and full consideration of all of the facts surrounding the mortgaging of improved property. Sound principles of amortization which are also provided for and standardization of appraisals are helpful both to the purchaser of the property as well as to the lender of the funds necessary to finance it."

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY
OF CHICAGO

Statement of Condition, December 31, 1935

RESOURCES

Cash and Due from Banks		$314,161,375.05
United States Government Obligations, Direct and Fully Guaranteed:		
Unpledged	$418,342,285.77	
Pledged	147,199,997.00	565,542,282.77
Other Bonds and Securities		43,837,240.99
Loans and Discounts		190,341,007.49
Stock in Federal Reserve Bank		2,580,000.00
Customers' Liability on Acceptances		2,275,044.56
Other Banks' Liability on Bills Purchased		17,083.38
Income Accrued but Not Collected		3,260,456.28
Banking House		13,800,000.00
Real Estate Owned other than Banking House		5,166,893.12
Other Resources		104,883.07
		$1,141,086,266.71

LIABILITIES

Deposits:		
General	$864,134,445.38	
Public Funds	157,179,458.75	$1,021,313,904.13
Acceptances		2,277,943.66
Other Banks' Bills Endorsed and Sold		17,083.38
Reserve for Taxes, Interest and Expenses		5,439,293.46
Reserve for Dividend on Preferred Stock		729,168.75
Income Collected but Not Earned		296,364.82
Capital Account:		
Preferred Stock	$50,000,000.00	
Common Stock	25,000,000.00	
Surplus	12,500,000.00	
Undivided Profits	3,512,508.51	
Reserve for Contingencies	20,000,000.00	111,012,508.51
		$1,141,086,266.71

Member Federal Deposit Insurance Corporation

How to Decline a Loan

THE banker who rejects a loan application without taking the trouble to explain to the applicant his reasons for doing so injures not only his own institution but all banks, said A. Key Foster, assistant trust officer of the Birmingham Trust and Savings Company, in a recent talk before the North Alabama Group of the Alabama Bankers Association.

"Every officer of the bank," Mr. Foster asserted, "should be sure that his clients not only have an explanation in every instance where a loan is declined, but that the client understands that explanation before he goes out of the bank.

"More destruction of public favor can be brought about within the doors of a bank than can ever be offset by any amount of newspaper advertising. The clerks, the paying tellers, the guard, the elevator boy, and everyone connected with the bank has a duty and responsibility to his institution to build and maintain the good will of its customers and friends at all times.

"A banker works for his bank 24 hours a day and he must bear this in mind at play as well as at work, because he is the bank to his friends and acquaintances. A banker who talks loosely about banking is injuring his bank, even though it may be at a football game, over a bridge table, or on a fishing trip. Everyone who is employed in a bank represents the bank to his group of people, and if he accepts every opportunity to enlighten his acquaintances as to banking, he is making himself more and more valuable to his institution and is guaranteeing to himself advancement in his chosen profession."

Mr. Foster, whose subject was "What the Public Wants to Know about Banking", said he had many times seen bankers treat customers "not only with icy indifference, but with downright discourtesy."

"Often," he continued, "have I heard a banker, after listening with impatience to the story which the customer was telling of his financial needs, tell that customer abruptly that he cannot make the loan requested, and, without further ado, turn his back on the customer and proceed with his routine duties. Is there any reason why a banker is entitled to be less courteous to the public than the merchant, the groceryman, or any other person who has wares or services to sell? The banker is no more nor less than a merchant dealing in money and credits."

Mr. Foster advocated an attitude of "absolute frankness and sincerity with the public", and the use of every available medium to take the mystery out of banking. Through newspaper advertising, personal contacts and every possible means, the banker should educate the public to an understanding of banking —how the bank operates, the basis on which loans are made, and what the public is entitled to expect of the bank.

"Tell the story over and over," he said, "in as many different ways and with as many variations as possible. Tell the story until it becomes common knowledge, so that the ditch digger and truck driver can understand it. No banker should ever let a criticism of banking pass unchallenged, but should take an infinite amount of time, with a maximum of patience, to explain to any critic any banking problems that may appear to be in his mind."



I'M TOO SMART TO BE FOOLED

Maybe you have avoided loss . . . of good will, clientele and money . . . from the manipulation of forgers. Maybe you will continue to avoid it. We hope so. But . . . why take a chance? Standard of Detroit can provide your depositors with Forgery Bonds that will guarantee them (and you) peace of mind by protection against the forger's skill. Standard is a nation-wide, 52 year old organization. Any one of the 6500 Standard representatives will gladly explain the scope of Standard Forgery Bonds for your depositors or special forms for your own protection.

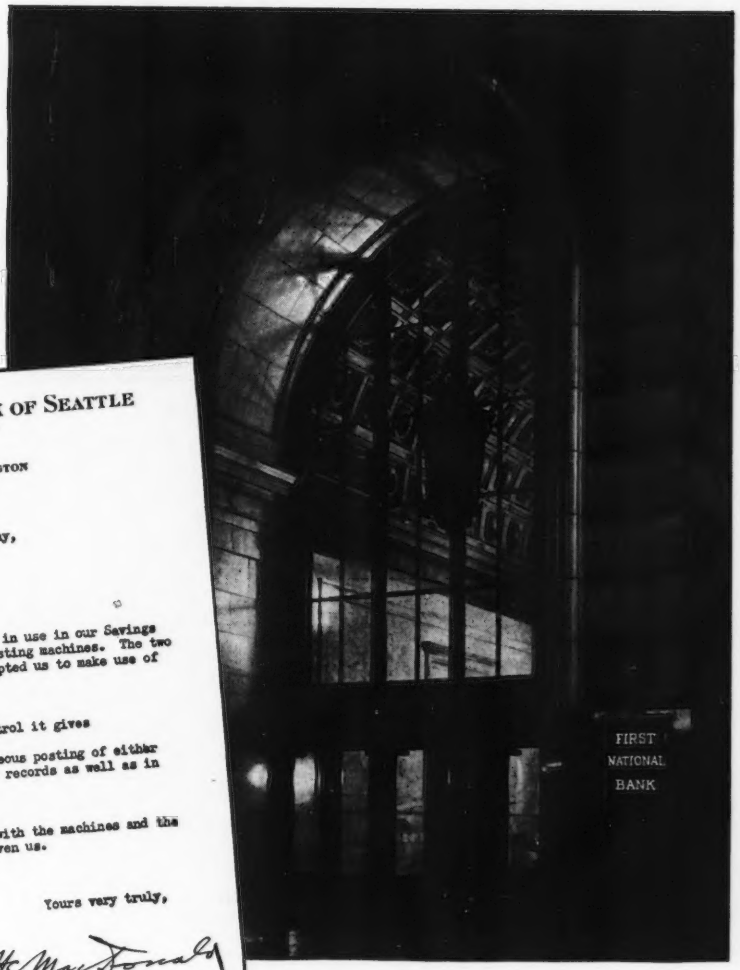
●

Standard writes Safe Deposit Box Burglary and Robbery Insurance, Bank Burglary and Robbery, Messenger Robbery (outside holdup), Bankers' and Brokers' Blanket Bonds, Forgery Bonds, and all other forms of Casualty Insurance and Fidelity and Surety Bonds.

52 YEARS OF SERVICE

STANDARD ACCIDENT INSURANCE COMPANY

Over $145,000,000 paid in claims · of Detroit · 6500 Agents throughout America



FIRST NATIONAL BANK OF SEATTLE
ESTABLISHED 1870

SEATTLE, WASHINGTON
Dec. 18, 1934.

H. C. MacDONALD
CASHIER

National Cash Register Company,
Dayton, Ohio.

Gentlemen:

Since 1929 we have had in use in our Savings Department your National posting machines. The two principal reasons that prompted us to make use of this equipment were

FIRST - the audit control it gives

SECOND - the simultaneous posting of either a debit or a credit on our records as well as in the customer's bank book.

We are well pleased with the machines and the results that they have given us.

Yours very truly,

H. C. MacDonald
CASHIER

HCM/FB

THIS letter from Mr. H. C. MacDonald, Cashier of the First National Bank of Seattle, is further proof that with National Posting Machines depositors are served more quickly and with a minimum of labor. . . . Entries are machine-printed in each pass-book and simultaneously on the bank's records. . . . Bookkeeping is completed when each transaction is closed. Ask our representative to explain the National System to you.

THE National Cash Register Co.

DAYTON, OHIO

Cash Registers • Typewriting-Bookkeeping Machines • Posting Machines • Bank-Bookkeeping Machines • Check-Writing and Signing Machines • Analysis Machines • Postage Meter Machines • Correct Posture Chairs

Trustees' Compensation

BECAUSE of new operating problems growing out of the depression, trust men are beginning to discuss fees for services and to offset reduced earnings, in an effort to find a solution to a situation that is unsatisfactory and needs correction.

The degree of responsibility required of a trustee bears a relationship to the compensation received. If the public fully realized this it might not seek cut rates to the extent that it does, and trust institutions would not be under pressure to grant reduced rates to so-called favored customers. The principle has been fairly well established by court decisions, and the two cases quoted below will sufficiently indicate the rule.

Matter of Arkenburgh, 38 App. Div. 473 (affirmed 171 N. Y. 688, appeal dismissed 173 N. Y. 638, 1899) was a case where, upon an accounting, the court was required to consider, among other things, the compensation of an executor. Cullen, J., afterwards Chief Judge of our Court of Appeals, writing for the entire court says at page 479:

> "Executors' commissions are none too large for faithful service, and it is my notion that the best practice is to give executors full compensation, and then hold them to the strictest accountability. I imagine persons could readily be got to serve in the case of a large estate without pay, but they would be apt to manage the estate so as to get indirectly a much larger profit than that allowed by the statute. It is such management that leads to the depletion of trust estates, which often comes up in the courts. Except where it is a matter of affection or duty, services rendered without pay are generally worth no more than what is paid for them".

Litchfield v. White, 7 N. Y. 438 (1852), was a case where a creditors' bill was brought against the judgment debtor and the defendant, assignee for the benefit of creditors. The validity of the assignment and the liability of the trustee were drawn in question. Chief Judge Ruggles writing for the entire court, except Morse, J., who was related to one of the parties and took no part in the decision, says, page 442:

> "Every man who is entrusted with the property of another is bound to exercise in relation to its custody, management and disposition, a certain degree of diligence, according to the nature and circumstances of the case. According to the elementary books there are three degrees of diligence, for the exercise of which every bailee or trustee is responsible in the discharge of his duty to the real owner or beneficiary of the property. These three degrees are denominated high or great diligence, common or ordinary diligence, and slight diligence".

and further on page 444:

> "In some of the English decisions the liability of a trustee seems to have been determined upon the analogy between a trust and a gratuitous bailment, but such a rule can not be applicable to trustees within this state, because they are in fact entitled to compensation by way of commissions on moneys received and paid (9 Paige, 403, *Meacham v. Sternes*); and although the smallness of their compensation may be a good reason for judging them with indulgence and liberality, they can not be placed on the footing of gratuitous bailees.
>
> "But in the case under consideration the assignment gives the trustee the right to retain the expenses of the trust and a reasonable compensation for his services in its execution. He stands therefore in regard to his obligation to exercise diligence, in the light of a paid agent for the parties interested, and not in that of a gratuitous bailee or trustee. Such an agent is liable for ordinary negligence, or the want of that degree of diligence which persons of common prudence are accustomed to use about their own business and affairs (*Story on Agency*, paragraph 183)."

HENRY A. THEIS

MANUFACTURERS
TRUST COMPANY

Condensed Statement of Condition as at close of business
December 31, 1935

RESOURCES

Cash and Due from Banks	$128,577,859.92
U. S. Government Securities (Includes Bonds Guaranteed by the United States Government)	229,997,961.20
State and Municipal Bonds	23,428,077.82
Stock of Federal Reserve Bank	1,936,050.00
Other Securities	54,162,627.74
Loans and Bills Purchased	168,008,639.84
Mortgages	24,654,914.40
Banking Houses	15,154,700.00
Other Real Estate Equities	4,992,129.14
Customers' Liability for Acceptances	18,896,646.17
Accrued Interest and Other Resources	3,202,113.28
	$673,011,719.51

LIABILITIES

Capital	$ 32,935,000.00
Surplus and Undivided Profits	11,548,815.50
Capital Notes	25,000,000.00
Reserves	17,059,835.21
Dividend (Payable January 2, 1936)	823,375.00
Outstanding Acceptances	19,931,322.22
Deposits	565,713,371.58
	$673,011,719.51

HARVEY D. GIBSON, *President*

Head Office: 55 Broad Street, New York City

Member Federal Reserve System
Member New York Clearing House Association
Member Federal Deposit Insurance Corporation

THE DETROIT SAVINGS BANK

changes its name to

THE DETROIT BANK

For eighty-seven years "Detroit Savings" has been a familiar and respected name to Detroiters. Established in 1849 as the Detroit Savings Fund Institute and later becoming The Detroit Savings Bank, it has grown up with Detroit.

Time and progress have changed the Bank's function—broadened its service. Today, its business is almost equally divided between Commercial and Savings banking.

Its present position is that of the largest State Bank in Michigan—the largest State Member Bank, outside of Chicago, in the Seventh Federal Reserve District—and one of the limited number of banks in this country with deposits exceeding *One Hundred Million Dollars.*

The broad expansion of its service, both commercial and savings, and the wider use of its facilities as a depository for other banks and many corporations doing a nation-wide business, necessitate an adjustment in name that will reflect more accurately the nature of its activities. Therefore, this adjustment removes the implied limitations of the word "Savings"—and the name now becomes *The Detroit Bank.*

There is no change in the business itself nor in its organization or operation. Furthermore, there is no change in the Bank's fundamental and continued interest in savings depositors and savings accounts.

This Bank has never merged with or absorbed any other institution, but has retained its sole identity during its entire corporate existence. Because of this fact, unusual sentiment attaches to its name, and those associated with the Bank feel some regret that the progress in which they take such pride now makes this adjustment advisable.

However, for many years and to many people The Detroit Savings Bank has been "The" Detroit Bank. This action will write the fact into the name of the bank for the owners of nearly 190,000 commercial and savings accounts and its many other customers and friends.

The change in name becomes effective as of January 16, 1936

•

THE DETROIT BANK

COMMERCIAL *and* SAVINGS BANKING

29 OFFICES THROUGHOUT THE CITY

MAIN BANKING OFFICE—GRISWOLD at STATE

•

Member of the Federal Reserve System—Member of the Federal Deposit Insurance Corporation

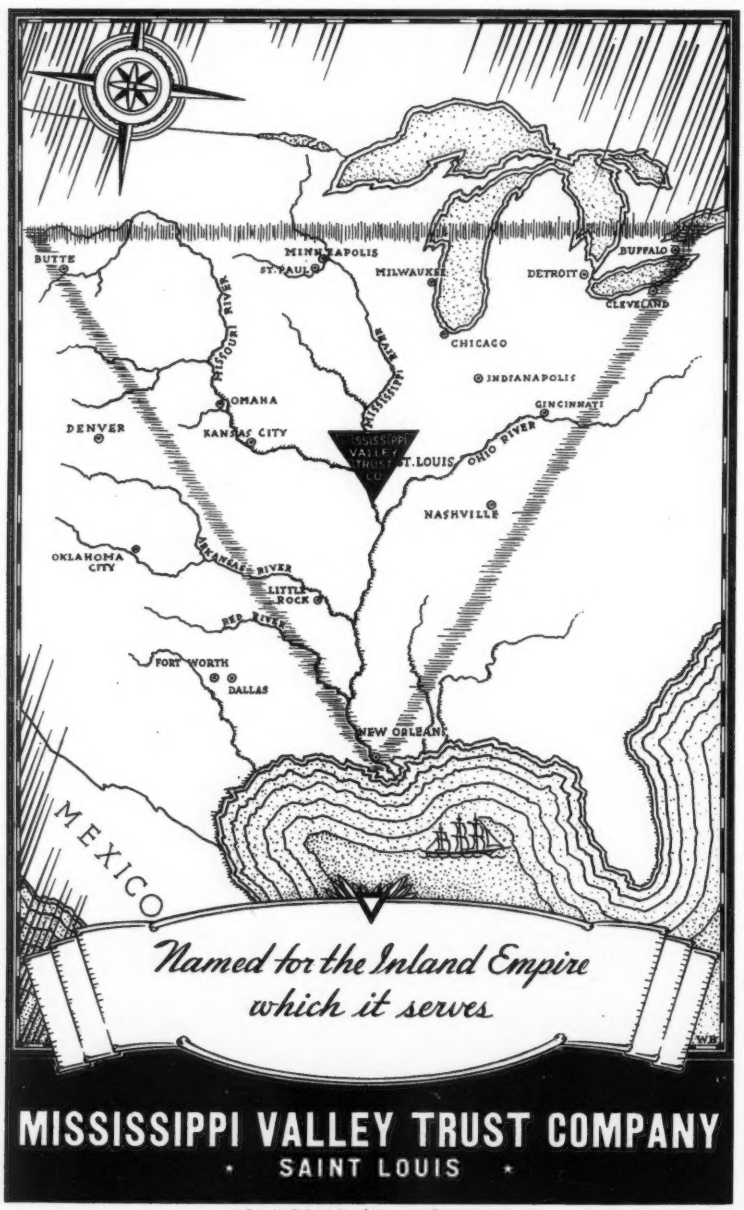
Regulations

(CONTINUED FROM PAGE 42)

must be published in the same newspaper as the bank's own report. Such publication shall be at the same time as that of the bank's own report, except where extension has been granted.

Under section 10 a member bank may, in general, withdraw from the Federal Reserve System upon six months' written notice, and the Board may permit withdrawal within a shorter period. After such notice has been given, it may be rescinded.

If an applying bank "acts directly or indirectly in any fiduciary capacity, insures or guarantees real estate titles, underwrites fidelity bonds or acts as surety, conducts an insurance business, deals in, sells, or distributes stock or securities to dealers or to the public, sells real estate mortgages, or participations therein, with or without guarantee, conducts a real estate rental or brokerage business, or performs any other functions not necessarily incidental to commercial banking" such bank is required by the revised forms of application accompanying Regulation H to give full details.



REVISED REGULATION L

With Reference to Interlocking Bank Personnel under the Clayton Act, Effective January 4, 1936.

SECTION 1. PROHIBITIONS.

Under section 8 of the Clayton Act, as amended by section 329 of the Banking Act of 1935,

(a) a private banker, or

(b) a director, officer or employee of a member bank may not, in general, serve also as director, officer or employee of a national bank, or a bank organized under the laws of a state or the District of Columbia. (The term "bank" includes banking associations, savings banks and trust companies, unless otherwise specified.)

SECTION 2. EXCEPTIONS.

Neither the statute nor the regulation prohibits interlocking personnel with:

- Federal savings and loan associations
- Federal credit unions
- Joint stock land banks
- Federal land banks
- Federal Reserve banks
- Federal intermediate credit banks
- Central Bank for Cooperatives
- Federal home loan banks
- "Edge Act" corporations
- Banks, other than national banks, organized outside of the United States proper
- Corporations principally engaged in foreign banking, making agreements with Board of Governors under section 25 of the Federal Reserve Act
- Mutual savings banks
- Banks 90 per cent of the stock of which is owned by the Government, or by a corporation of which the Government owns 90 per cent of the stock
- Liquidating banks or those in the hands of receivers, conservators or similar officers

Any interlocking relationship "involving a member bank" in existence August 23, 1935, then lawful either because not prohibited by the Clayton Act prior to its amendment by the Banking Act of 1935 or because authorized by individual permit, may continue until February 1, 1939.

The following banks may have interlocking personnel with a member bank but this exception *does not authorize a private banker* to serve them: (*For similar interlocking service by private banker, see section 3 on page 69*)

- Banks, more than 50 per cent of the common stock of which is

owned by persons owning directly or indirectly more than 50 per cent of the common stock of the member bank;

Banks with no office in a community in which the member bank has an office or in a community *contiguous* or *adjacent* thereto. ("Contiguous" refers to communities "whose corporate limits touch or coincide at some point". "Adjacent" communities are those which "are located in such close proximity and are so readily accessible to each other as to be in practical effect a single city, town, or village, as for example, cities, towns, or villages separated only by a water-course, or a suburb of a city separated from that city by an intervening suburb".)

Banks not engaged in a *class of business* in which the member bank is engaged. Reference is to "the various types of business engaged in by such institutions involving relationships with customers, such as

(1) receiving commercial deposits,
(2) receiving savings deposits,
(3) carrying checking accounts,
(4) making commercial loans,
(5) making real estate loans,
(6) making loans on stock or bond collateral,
(7) making 'personal' loans of the character usually made by Morris Plan or Industrial banks,
(8) engaging in corporate trust business, and
(9) engaging in individual trust business."

A private banker is not prohibited from being a member of any number of firms of private bankers.

SECTION 3. RELATIONSHIPS PERMITTED BY BOARD

Individual permits for interlocking relationships may no longer be granted by the Board of Governors.

In addition to the exceptions in section 2 which are required by section 8 of the Clayton Act, as amended, the Board of Governors permits *not more than one* of the relationships specified below in the case of any one individual. *Each* private banker and *each* director, officer and employee of *each* member bank may have one such relationship, and two or more private bankers in any one firm, or two or more persons connected with a member bank may serve a single other bank.

By analogy to the exceptions in section 2 not applicable to private bankers, the Board of Governors permits a private banker to serve as director, officer, or employee of one of the following *member* banks:

One more than 50 per cent of the common stock of which is owned by the private banker or his firm;

One with no office in the community in which the private banker or his firm has an office or in a community contiguous or adjacent thereto;

One not engaged in a class of business in which the private banker or his firm is engaged;

Or, in the alternative, a private banker may serve any one *non-member* bank.

A private banker or a director, officer or employee of a member bank may serve one "Morris Plan bank, cooperative bank, credit union or other similar institution".

"Cooperative bank" is not defined. In Massachusetts this term means a building and loan association.

Where application for individual permit had been filed on or before August 23, 1935, and had not been denied "prior to that date", a private banker or director, (CONTINUED ON PAGE 91)

NATIONAL BANK OF DETROIT

Statement of Condition, December 31, 1935

RESOURCES

Cash on Hand and Due from Other Banks	$151,735,941.96
United States Government Obligations, direct and/or fully guaranteed	182,824,131.61
Other Securities	5,856,087.34
Stock in Federal Reserve Bank	675,000.00
Loans and Discounts	43,612,404.07
Real Estate Mortgages	8,265,998.59
Overdrafts	12,870.99
Real Estate (21 Branch Bank Buildings)	636,065.36
Accrued Income Receivable—Net	1,217,578.39
Customers' Liability Account of Acceptances and Letters of Credit	1,013,141.16
Other Resources	68,382.13
TOTAL RESOURCES	**$395,917,601.60**

LIABILITIES

Deposits:		
Commercial, Bank and Savings	$315,310,758.62	
U. S. Government	15,083,575.87	
Treasurer—State of Michigan	12,239,769.53	
Other Public Deposits	25,425,710.11	368,059,814.13
Capital Acount:		
Preferred Stock (Paid In)	$11,000,000.00	
Common Stock (Paid In)	5,000,000.00	
Surplus (Paid in $5,000,000.00 —Earned $1,500,000.00)	6,500,000.00	
Undivided Profits (Paid In)	2,500,000.00	
Undivided Profits (Earned)	1,006,130.72	26,006,130.72
Reserve for Common Stock Dividend No. 3 payable February 1, 1936		250,000.00
Reserve for Expenses, Preferred Stock Dividend, etc.		304,660.00
Reserve for Contingencies		283,855.59
Our Liability Account of Acceptances and Letters of Credit		1,013,141.16
TOTAL LIABILITIES		**$395,917,601.60**

United States Government Securities carried at $31,140,000.00 in the foregoing statement are pledged to secure public and trust deposits and for other purposes required by law.

Member Federal Deposit Insurance Corporation

Typewritten Wills

(CONTINUED FROM PAGE 31)

Brown; one-fourth to Catherine Brown and one-half to Donna Brown."

The will was duly signed and witnessed and hidden in a trunk. Anne Brown, with whom the aunt resided, had access to the trunk, and, when this elderly aunt became very ill, she removed the will and proceeded to erase two words, "Anne" and "Donna", and reverse their positions. The aunt subsequently died, and the will was offered for probate. The alteration would have gone entirely unnoticed if the niece whose residue had been altered from one-half to one-eighth had not complained to her attorney.

The attorney took the matter to the bank, where it was suggested that the will be given to a handwriting expert. The advice was followed and the following information was gained:

1. The words "Anne" and "Donna" showed a slight gloss under the magnifier, this slight gloss not being noticeable on the rest of the will.
2. The paper, examined in strong daylight, showed a thinning where these glossy words were written.
3. The magnifier also showed broken paper fibres around these words.
4. The expert applied heat to the paper and brought out several faint ink lines where the suspected erasures occurred.

When the expert's report was shown to the suspect she confessed.

There is also the case of a wealthy cattleman of the Southwest whose entire business career had been devoted to ranching. He made a typewritten will in which he divided his estate into three equal portions, to be received after his death by his wife, his son and his daughter.

ONE CONDITION

THE will required the son to remain on the family ranch and devote his time to cattle raising. But he wanted, after the father's death, to dispose of his share of the ranch and retire to the city. In removing the typewritten page of conditions and substituting another page suitable to himself, he used the very typewriter on which the will had been written and a sheet of paper of the proper size. The will was then offered for probate. The mother, knowing of her husband's feelings concerning the ranch, was suspicious of the conditions of the will. Her attorney gave the will to a typewriting expert who discovered the following:

1. The watermark on the suspected sheet was inconsistent with the watermarks on the other sheets.
2. The suspected page, while written on the same machine, showed a distinct wearing of certain letters, evidencing a decided discrepancy in the dates on which the genuine and suspected pages had been written.
3. The indentation of the paragraphs on the suspected sheet was one and a quarter times as deep as on the genuine portion.
4. The suspected sheet had several misspelled words which were correctly spelled on the genuine sheets.
5. The punctuation on the suspected sheet was poor as compared with the genuine sheets.
6. The genuine sheets used the small letter "1" for the figure "one"; the suspected sheet used capital "I".
7. Capital letters were used far more often on the suspected sheet than on the genuine sheets.
8. The reverse side of the suspected sheet showed that far more pressure was used in typewriting it than the genuine sheets.

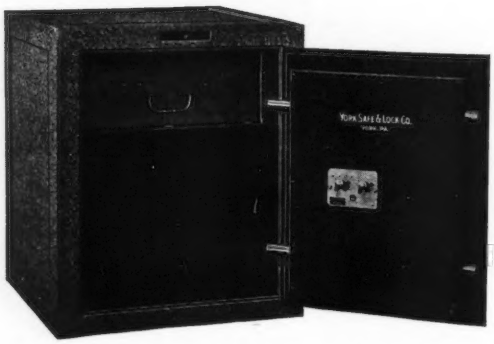
This mass of evidence proved entirely sufficient.

YOUR BANK *needs* THIS HOLD-UP PROTECTION

In all parts of the United States, banks are buying York-built protective devices equipped with the Delayed Action Time Lock because they eliminate successful hold-ups and discourage the activities of bandits.

YORK DELAYED ACTION COMBINATION TIME LOCK

winds, sets and operates the same as the time lock on a large vault door. It is extremely simple and effective and can, if desired, be attached to your existing equipment. Complete information furnished on request. It is approved by the Underwriters' Laboratories and complies with the requirements of insurance companies.



No. 326-D

YORK DAY RAID LOCKER

Furnished in a full range of sizes

York Inspection and Guaranty Service protects you against lockouts and keeps your vault equipment in smooth working order. Expert mechanics at all our branches are at your service both day and night. The cost is very modest. Full particulars on request.

YORK SAFE AND LOCK COMPANY
YORK, PA.

Builders of the World's Greatest Vaults

Fire Resisting and Burglar Resisting Safes and Chests

BRANCHES IN ALL PRINCIPAL CITIES

Mid-Winter Trust Conference

ROBERT V. FLEMING, President of the American Bankers Association, and president, the Riggs National Bank, Washington, D. C., is to speak at the 17th Annual Mid-Winter Trust Conference of the Association's Trust Division. His topic is "The Social Significance of Trust Service."

The Conference will emphasize informal discussion. Group meetings held last year were so successful that their continuance was suggested and the 1936 schedule was drafted accordingly. The program in full is as follows:

First Session, Tuesday, February 11, 10 A.M. Presiding officer, M. P. Callaway, President, Trust Division, and vice-president, Guaranty Trust Company of New York. Address of the President; "The Outlook for Trust Business in 1936", Harvey Weeks, assistant vice-president, Central Hanover Bank and Trust Company, New York; "Sound Public Relations Policies", Elliott Thurston, Federal Reserve Board, Washington, D. C.; "Practical Approaches to Public Understanding", Robert W. Sparks, vice-president, Bowery Savings Bank, New York, and president, Financial Advertisers Association.

Second Session, Tuesday, February 11, 2:15 P.M. Open forum on "New Trust Business Development in All of its Phases". Discussion leader, Gwilym A. Price, vice-president and trust officer, Peoples-Pittsburgh Trust Company, Pittsburgh.

Third Session, Wednesday, February 12, 9:30 A.M. Presiding officer, Robertson Griswold, Chairman, Executive Committee, Trust Division, and vice-president, Maryland Trust Company, Baltimore. "The Need for an Equitable Basis for Trust Fees", R. M. Kimball, secretary, Continental Illinois National Bank and Trust Company, Chicago; "Fundamentals of Trust Department Cost Analysis", John J. Driscoll, Jr., Driscoll and Millet, Philadelphia; "The Social Significance of Trust Service", Robert V. Fleming, President, American Bankers Association, and president, Riggs National Bank, Washington, D. C.; "Legislative Trends Affecting Trust Business", George C. Cutler, Chairman, Committee on Federal Legislation, Trust Division, and president, Safe Deposit and Trust Company, Baltimore.

Fourth Session, Wednesday, February 12, 2:15 P.M. Open Forum on "Duties and Liabilities of the Trustee", covering personal trusts and corporate trusts. Discussion leader, Austin W. Scott, professor of Law, Harvard University law school.

Fifth Session, Thursday, February 13, 9:30 A.M. Presiding officer, Mr. Callaway. "New Operating Methods for the Trust Department", Eugene C. Wyatt, assistant trust officer, The Chase National Bank, New York; "Supervisory Policies of the Federal Reserve System", Walter Wyatt, general counsel, Federal Reserve Board, Washington, D. C.; "Investing Trust Funds Today", Robert C. Effinger, vice-president, Irving Trust Company, New York; "New Tax Problems of the Trustee", H. N. Andrews, Chairman, Committee on Taxation, Trust Division, and vice-president, Old Colony Trust Company, Boston.

The Conference will be brought to a close with the 25th annual banquet, held in the evening of February 13 at the Waldorf-Astoria.

He has a RIGHT TO FEEL SECURE



As Trust Officer, he is custodian for the property of scores of clients. Hazards and contingencies of every description threaten these assets, yet when the day ends he can forget. For, with the able cooperation of his insurance agents, he has everything under control... every risk considered and covered... adequately... in sound companies like Fireman's Fund.

To assure strength... permanence... stability behind *your* policies, consult one of the 11,000 Fireman's Fund agents, or your broker.

His insurance is in a company of the

FIREMAN'S FUND GROUP

Fireman's Fund Insurance Company — Occidental Insurance Company
Home Fire & Marine Insurance Company
Fireman's Fund Indemnity Company — Occidental Indemnity Company

New York · Chicago · SAN FRANCISCO · Boston · Atlanta

Fire · Automobile · Marine · Casualty · Fidelity · Surety

DEPENDABLE INSURANCE SINCE 1863

The Position of Director

IF the effort to broaden the bank director's familiarity with bank management practices and problems has not assumed the proportions of a movement, there at least seems to be a definite trend toward bringing board members into closer contact with banking.

Banks in increasing numbers are putting the director committee system on an active working basis, with highly satisfactory and practical results. Considerable attention is also being paid to keeping directors posted on banking developments of a general nature, to the end that they may have competent information on which to base the decisions they are called upon to make.

Another approach to what might be called the education of a bank director is offered in a pamphlet recently compiled under the direction of the Commission for Financial Institutions, State of Indiana, summarizing "provisions of law defining duties of directors and prescribing penalties for neglect of those duties". This is an aspect of the director's position that may be overlooked and neglected, and the booklet thus makes a valuable contribution to a timely subject.

Much of the initiative for the extension of director contacts comes from the banking institutions themselves. As an example, there may be cited the number of letters received by the Bank Management Commission, American Bankers Association, for copies of publications on management subjects for distribution to directors. Particularly in demand, during recent weeks, has been Bulletin 67, a reprint of the proceedings of the Sixth Annual Clearinghouse Round Table Conference held at the Association's New Orleans Convention last November. This conference discussed numerous practical banking matters, such as bank earnings and expenses, reductions of losses on loans and investments, expense control, service charges, and the small loan department. Several bank executives have said that they wanted their board members to read the clear exposition of those subjects offered in the papers and discussions. Wide interest has also been shown in the bulletin which reported a survey on service charges.

The Indiana pamphlet, referred to

THE
NATIONAL CITY BANK
OF CLEVELAND

THE NATIONAL CITY BANK 1845 CLEVELAND'S OLDEST BANK

STATEMENT OF CONDITION DECEMBER 31st, 1935

RESOURCES

Cash and due from Banks		$38,482,790.94
United States Government Obligations (Direct and Fully Guaranteed)		
Unpledged	$33,562,816.66	
Pledged to secure Trust Funds, Public Funds, U. S. Government Deposits	16,032,305.59	49,595,122.25
Other Securities (of which $7,779,908.07 matures within two years)		19,029,188.79
Capital Stock of The National City Building Co.		2,477,816.35
Real Estate Owned		133,119.02
Loans and Discounts		23,818,289.97
Accrued Interest		478,249.67
Customers' Liability on Acceptances and Letters of Credit		3,386,311.92
Other Assets		178,047.83
		$137,578,936.74

LIABILITIES

Capital Stock — Preferred	$4,000,000.00	
Capital Stock — Common	4,700,000.00	
Surplus	1,040,339.92	
Undivided Profits	409,859.77	$10,150,199.69
Preferred Stock Dividend Accrued		70,000.00
Reserve for Contingencies, etc.		1,624,422.80
Reserve for Interest and Other Expenses		21,553.16
Deferred Credits and Other Liabilities		56,591.17
Acceptances and Letters of Credit Executed for Customers		3,386,311.92
Trust Funds and Public Funds	8,555,647.18	
United States Government Deposits	5,333,500.00	
Other Demand and Time Deposits	$108.380,710.82	122,269,858.00
		$137,578,936.74

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

RAILROAD PRESIDENT

On December 28 Edward Sheer became president of the Reading Company and the Central Railroad of New Jersey



ACME

above, is entitled "Duties and Responsibilities of Directors of State Banks and Trust Companies." It covers an important field, especially when one reads in the foreword that a careful study by the state's Department of Financial Institutions regarding the extent of directors' knowledge concerning their obligations disclosed "that a surprisingly large percentage of directors actually do not realize what is implied when the oath of office is taken."

"Safety," says the booklet, "is synonymous with sound bank administration, and in order to insure the greatest possible protection to stockholders, depositors and other interested parties the legislatures of various states have imposed definite obligations on directors. The courts of the United States have invariably construed these obligations to be valid and have upheld them.

"Since these obligations have been imposed and are being upheld, it is incumbent upon directors to acquaint themselves thoroughly with all the statutory provisions relating to banks, not only because of their duty to stockholders and depositors but also because of the importance of maintaining their own integrity.

"It is with the above thoughts in mind that we commend to you the following summary of matters pertaining to your position as a director, and of which you should be fully cognizant. Such summary, however, is in no way meant to supersede the Indiana Financial Institutions Act. This booklet is a sincere attempt on the part of the Department to place before you something that should be of much interest and benefit to you."

The compilation is divided into three main sections. Part One covers the Financial Institutions Act; Part Two, other statutory provisions, including those on embezzlement; and Part Three, the civil liabilities of directors, embracing common law liability and liability for statutory violations. In all instances, the text of the law is quoted or the provisions are summarized.

By way of conclusion the booklet states:

"It is important for directors to understand that their duties, responsibilities, and liabilities are not governed alone by the statute, but also by common law. Briefly, the common law principles applicable are: *Ordinary diligence, reasonable control,* and *general knowledge* of the peculiar problems of their bank.

"If a director takes an active interest in his bank, follows his statutory duties, and decides on questions with intelligent reasoning and care, there need be no fear of common law actions."

WORLD COURT

Manley O. Hudson, professor of international law at Harvard, has been nominated a member of the World Court bench at Geneva



WIDE WORLD



In the Nation's Capital

A proper banking connection in Washington can be much more than a convenience to you and your customers . . . Our location, our facilities and our 99 years of emphasis on service are important advantages to our clients.

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

THE RIGGS NATIONAL BANK
of WASHINGTON, D. C.
ROBERT V. FLEMING, President and Chairman of the Board.
GEORGE O. VASS, Vice President and Cashier.
Resources $90,000,000 : : : Established 1836

Advertising's Definite Job

IT is no longer fashionable to decry the tombstone dignity of financial advertising—chiefly because this complaint has ceased to apply in the case of most alert, forward-looking banks. But the fact remains that bank advertising still involves an excessive degree of avoidable waste.

Apart from money spent on miscellaneous programs, yearbooks and other forms of so-called "policy advertising"—to which banks have been peculiarly susceptible—much waste in bank advertising may be traced to two factors: (1) the traditional assumption that "banking is different" and (2) the more recent assumption that "the public must be educated to a better understanding of banking".

Paradoxically enough, the first assumption is both true and false. Obviously banking is different from other business enterprises, decidedly different in many ways. Yet the bank on Main Street and Bill Jones' drug store are fundamentally very much alike.

To begin with, both the banker and Bill Jones are in business for a common purpose—to earn a living by making profits on the sale of their goods or services.

In both cases, selling prices are pretty well fixed by general market conditions, competition and governmental or other regulations. Therefore profits cannot be assured by the simple expedient of charging high prices, unless extra value is offered for the extra amount charged.

Thus it becomes apparent that profits depend on volume. And here again the banker and Bill Jones face a common problem. Both must (1) sell a certain minimum number of units of goods or services simply to meet capital costs, overhead and operating expenses; and both must (2) sell additional units if any dividends are to be declared.

Certainly this principle is as old as business itself. Why not then apply it to the merchandising of banking service, just as Bill Jones applies it to the merchandising of drug products and ice cream sodas?

At this point you may say, "It just can't be done. Bill Jones deals in tangible merchandise, but banking service is intangible."

The fact is, some banks are doing it. It works.

BANK SERVICE IS TANGIBLE

TAKE a moment, however, to examine the idea that banking service is intangible. Is the making of a loan really any more intangible than the issuance of an insurance policy? Is the process of renting a safe deposit box any more nebulous than the sale of a pair of shoes? More particularly, are the benefits derived from the use of banking services and facilities any less tangible than those derived from the purchase and use of physical merchandise?

In short, isn't it entirely logical to assign a definite selling job to bank advertising instead of spending money planlessly in the hope that results of some sort will be achieved by the vague process of "keeping your name before the public"?

Now let us examine very briefly the assumption that "the public must be educated to a better understanding of banking". Unquestionably it would be

COMMERCIAL • CHECKING



SAVINGS • TRUSTS

"... a good bank to know"

Often you hear a friend say, "He's a good man to know,"—referring to someone whose company is not only enjoyable, but profitable in many things. This bank is a good bank to know. You'll enjoy your contact with us. And we believe it will prove profitable, too. There is always at least one of us free to talk with you when you visit Chicago. So come any time and there'll be a welcome.

LAURANCE ARMOUR
President

AMERICAN NATIONAL BANK AND TRUST COMPANY
of Chicago
LA SALLE STREET AT WASHINGTON
MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

By MARVIN A. LEMKUHL

Scott-Telander, Inc.

a splendid thing if Mr. and Mrs. Average Citizen understood the basic principles of banking. But it is doubtful if they can be taught effectively, convincingly and interestingly by any means short of an intensive, persistent, dramatic national campaign. It is questionable if local advertising by individual banks can perform this job. For it must always be remembered that Mr. and Mrs. Average Citizen do not want to learn. (And there is little reason to suspect that Mr. Average Business Man is much different from the Average Citizens.)

It is axiomatic to state that people—regardless of position in life—are tremendously more interested in knowing how they can use specific banking services to their personal advantage than in learning the principles of finance and economics.

For the most part it would seem that educational bank advertising should bear the same relation to the merchandising of banking services that the manufacturer's book of instructions bears to the merchandising and sale of automobiles.

Here again the suggestion is that advertising dollars hitherto wasted in much "institutional" or rather dull "educational" campaigns might more profitably be devoted to sales-minded campaigns definitely aimed at the increased volume which is vital to successful operation. To be more specific, compare the following advertising appeals, the first addressed to business men and the second to John Doe at large:

(1) A. This Bank Stands at the Cross Roads of all Business
    B. How the Blank Company Increased Sales 17 Per Cent This Year
(2) A. Serving the Community
    B. Save First—and Spend at a Profit!

Is it difficult to decide that the headlines "B" must far outrank the above "A" headlines in terms of attention value, intrinsic interest and potential resultfulness?

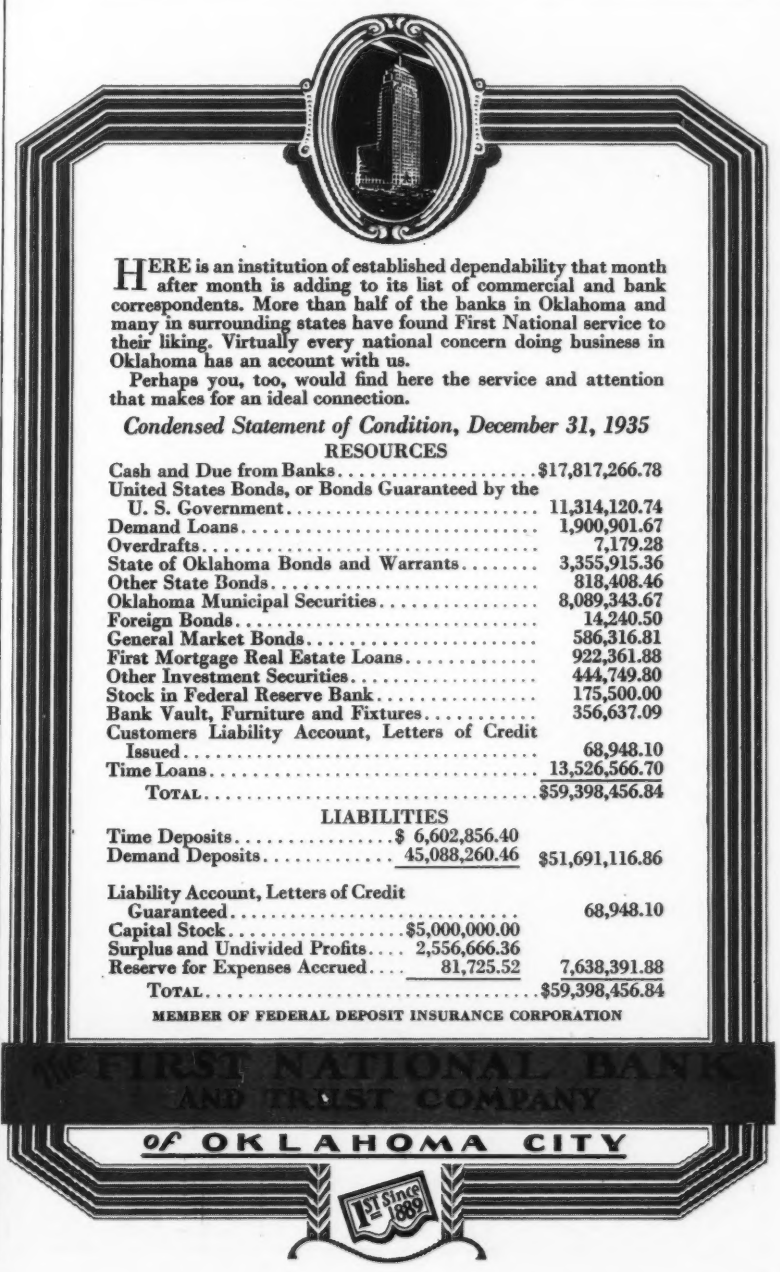
Possibly one reason why there is not more workaday sales-mindedness in the average run of bank advertising is that selling is deemed undignified. Admittedly it would be folly to clothe bank advertising in an atmosphere of bargain-counter promotion or side-show ballyhoo. But successful salesmanship can be dignified, and often is. Consider the high character of much life insurance advertising, or the advertising of many retail stores. Dignified? Yes . . . but built to sell.

STEEL EXECUTIVE

Harold L. Hughes, a new vice-president of the U. S. Steel Corporation, who will perform certain executive duties



KEYSTONE



HERE is an institution of established dependability that month after month is adding to its list of commercial and bank correspondents. More than half of the banks in Oklahoma and many in surrounding states have found First National service to their liking. Virtually every national concern doing business in Oklahoma has an account with us.

Perhaps you, too, would find here the service and attention that makes for an ideal connection.

Condensed Statement of Condition, December 31, 1935

RESOURCES

Cash and Due from Banks		$17,817,266.78
United States Bonds, or Bonds Guaranteed by the U. S. Government		11,314,120.74
Demand Loans		1,900,901.67
Overdrafts		7,179.28
State of Oklahoma Bonds and Warrants		3,355,915.36
Other State Bonds		818,408.46
Oklahoma Municipal Securities		8,089,343.67
Foreign Bonds		14,240.50
General Market Bonds		586,316.81
First Mortgage Real Estate Loans		922,361.88
Other Investment Securities		444,749.80
Stock in Federal Reserve Bank		175,500.00
Bank Vault, Furniture and Fixtures		356,637.09
Customers Liability Account, Letters of Credit Issued		68,948.10
Time Loans		13,526,566.70
TOTAL		$59,398,456.84

LIABILITIES

Time Deposits	$ 6,602,856.40	
Demand Deposits	45,088,260.46	$51,691,116.86
Liability Account, Letters of Credit Guaranteed		68,948.10
Capital Stock	$5,000,000.00	
Surplus and Undivided Profits	2,556,666.36	
Reserve for Expenses Accrued	81,725.52	7,638,391.88
TOTAL		$59,398,456.84

MEMBER OF FEDERAL DEPOSIT INSURANCE CORPORATION

FIRST NATIONAL BANK AND TRUST COMPANY of OKLAHOMA CITY

1st Since 1889

Penny-Wise Bank Management

By E. S. WOOLLEY

A BANK'S profit can be increased in two ways. One way is by increasing the gross income, and the other, by a reduction of the expenses. The goal is a combination of the two. For many different reasons the percentage of net income to gross income varies considerably in banks. In order to illustrate some of these different reasons comparative figures from three banks are shown.

The total deposits in the bank designated as Bank "A" are $10,200,000. In Bank "B" they are $8,500,000, and in Bank "C" $7,200,000. The figures and statistics for all three banks are for the year ended December 31, 1934. During that year Bank "A" was able to retain 32.86 per cent of its gross income as net income. In Bank "B" this percentage was 24.23 per cent, and in Bank "C" it was 11.08 per cent. These differences had nothing to do with the size of the banks, but were entirely due to matters under the control of management. The various points of difference are discussed in the order in which the accounts appear in the table on page 77.

It will be noted that the earning rate from the earning assets was practically the same in all three banks. Therefore there was nothing here to account for the differences in the percentage of net income to gross income.

The "other bank income" item shows that Bank "A" collected very much more than did the other two banks. Bank "A" had a definite schedule of payment for services in the commercial department and insisted that the schedule be strictly adhered to. The result was that it materially increased gross income without a corresponding increase of expenses. Bank "B" had a schedule of service charges in effect but they were inadequate. Bank "C" had no charges whatsoever in the commercial department and only small ones elsewhere.

BANK "C" INCOME LIMITED

DUE to its larger size Bank "A" had collected $127,000 more in interest than had Bank "C". This, however, does not affect the percentages. If Bank "C" had collected proportionately the same amount in service charges, after giving consideration to the difference in the commercial deposits, it would have collected an additional $7,380. This would have increased its percentage of net income to gross income by 1.89 per cent. Bank "C", however, depended for its income entirely on interest received and building rents. Bank "B" had no building rent but collected more proportionately from "other bank income".

Bank "A" also reduced its rate of interest paid on savings from 3 per cent to 2½ per cent. If Bank "B" and Bank "C" had followed the same policy in 1934, they would have increased their net incomes by $31,700 and $32,400, respectively. This would have meant an increase in the percentage of net income to gross income of 7.46 per cent for Bank "B" and 10.85 per cent for Bank "C".

However, these two banks lacked the courage of their convictions and therefore were unable to reap the benefits of increased income from service charges and decreased interest expense on sav-

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

FINANCIAL STATEMENT

December 31st, 1935

ASSETS

Cash in Banks and Trust Companies	$ 1,240,019.77
*Bonds	9,130,761.79
*Stocks	
Preferred or Guaranteed $1,954,294.00	
Common 702,990.00	2,657,284.00
Premiums in Course of Collection, Not Over 90 Days Due	1,316,308.34
Accrued Interest and Rents	117,146.50
Reinsurance and Other Accounts Receivable	149,020.53
First Mortgages on Real Estate	136,600.00
Home Office Building	850,000.00
TOTAL ADMITTED ASSETS	$15,597,140.93

LIABILITIES

Reserve for Unearned Premiums	$ 5,296,122.51
Reserve for Claims	3,116,937.48
Reserve for Commissions, Expenses and Taxes	781,801.52
Reserve for Contingencies	750,000.00
Capital	1,000,000.00
*Surplus	4,652,279.42
TOTAL	$15,597,140.93

Securities carried at $1,526,161.81 and cash $42,000 in the above statement are deposited for purposes required by law.

*Bonds are carried on an amortized basis prescribed by the New York Insurance Department. Stocks are carried at December 31, 1935 market quotations. On the basis of December 31, 1935 market quotations for all bonds and stocks owned, this Corporation's total admitted assets would be increased to $16,077,871.14 and the surplus to $5,133,009.63.

ings. Their managements thought that it was necessary to wait until such time as other banks cooperated or the law gave them something upon which to lean. As a matter of fact, the reduction of interest rates to 2½ per cent was more important to both Banks "B" and "C" than to Bank "A" for the reason that their ratio of time deposits to total deposits was considerably higher than in Bank "A".

It is agreed that in the matter of both service charges and reduction of interest rates the public must be taken into consideration. This is not true, however, with the operating expenses. Here management has an absolutely free hand.

Yet the operating expenses of Bank "C" were 38.39 per cent of its total gross income, while those in Bank "B" were 26.87 per cent, and those in Bank "A" 33.27 per cent. As a matter of fact, Bank "C" should have had the lowest ratio of the three. It does not take as many people to operate a savings department as it does to operate a commercial department.

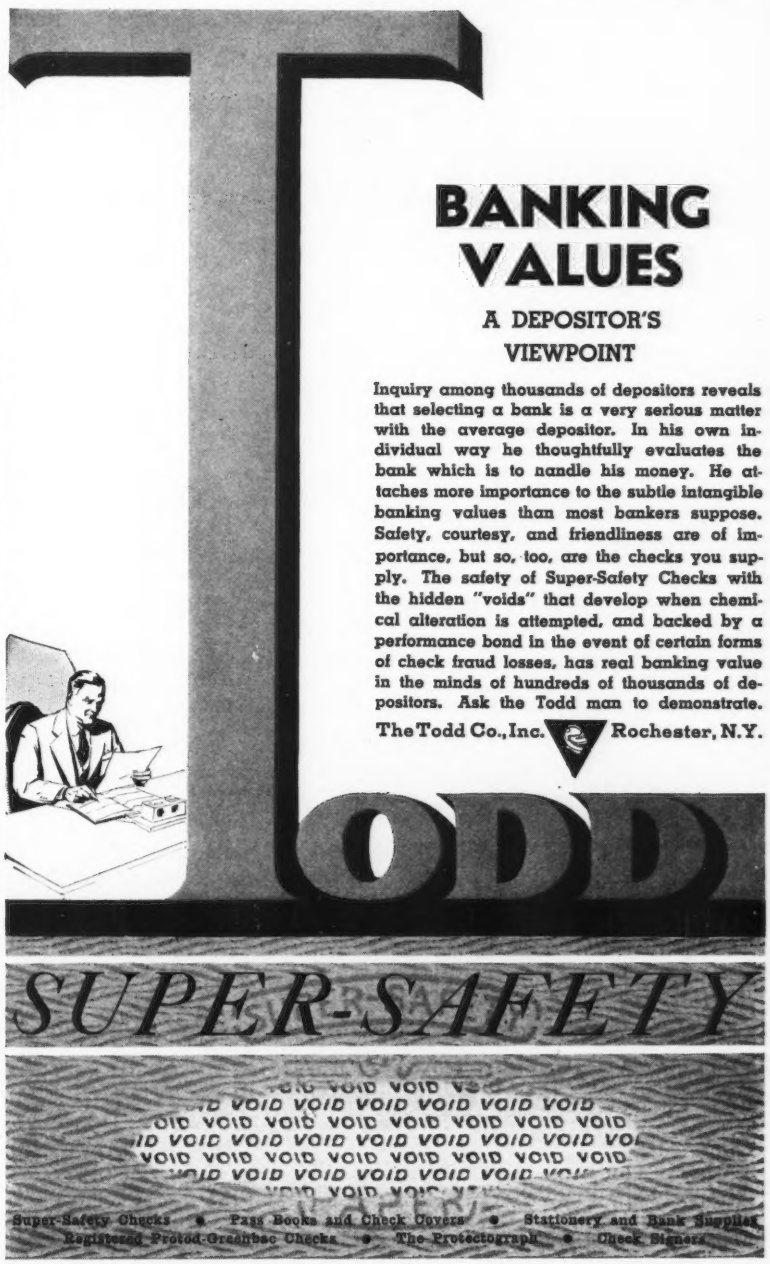
It will be noted that the commercial department of Bank "B" was over 2½ times, and that of Bank "A" over 4½ times, the size of Bank "C". Yet the operating expenses of Bank "C" were proportionately the highest of all three banks. A breakdown of these expenses is shown in percentage form in the table on page 79.

Analyzing these percentages, it is apparent that the principal discrepancy in Bank "C" is in the matter of salaries. The salaries of the officers and directors include only those of the senior officers and directors. The salaries of assistant cashiers are included with "other employees". The reason for this division is that assistant cashiers frequently are performing the duties of tellers or other such work.

This increase in the percentages of salaries in Bank "C" was not brought about through the paying of a much higher scale. Disregarding the salaries of the senior officers and directors, the average salary for the remaining employees in each of the banks was as follows: Bank "A" $1,521.21, Bank "B" $2,018.33, Bank "C" $1,960.78. Bank "A" had a total of 41, Bank "B" 20, and Bank "C" 32 employees, including officers.

The amount of the savings deposits in all three banks was approximately the same. Bank "B" had 2½ times as much in commercial deposits as had Bank "C", yet it had 12 fewer employees. Bank "A" with over 4½ times as much in commercial deposits had only 9 more employees. Bank "A" had 4,117 com-

	BANKS		
	"A"	"B"	"C"
INCOME			
Interest income	74.17%	92.65%	89.06%
Other bank income	15.31	6.30	1.68
Trust department income	2.72	1.05	
Building rents	7.80		9.26
TOTAL INCOME	100.00%	100.00%	100.00%
EXPENSES			
Interest paid	22.51%	42.54%	46.53%
Operating expenses	33.27	26.87	38.39
Losses written off (10 year average)	11.36	6.36	4.00
TOTAL EXPENSES	67.14%	75.77%	88.92%
NET INCOME	32.86%	24.23%	11.08%



	BANKS		
	"A"	"B"	"C"
OTHER STATISTICS			
Gross earning rate on earning assets	4.76%	4.75%	4.67%
Effective interest rate on savings	2.33	2.89	2.85
Ratio of time deposits to total deposits	60.38	73.57	87.77
Percentage net income to total deposits	2.06	1.21	.60
Percentage net income to invested capital	7.89	6.31	3.79
Ratio invested capital to total deposits	26.11	19.20	15.77

	"A"	"B"	"C"
DEPOSITS			
Demand	$4,050,103.29	$2,245,120.99	$ 886,160.25
Time	$6,173,447.36	$6,249,692.91	$6,363,920.39

mercial and 14,820 savings accounts. Bank "B" had 2,715 commercial and 5,238 savings accounts. Bank "C" had 2,756 commercial and 8,716 savings accounts.

All of these comparisons would indicate that the salaries of Bank "C" should be less in proportion to total gross income than in Banks "A" and "B". Yet they were higher. The reason, therefore, could only be in the methods of operation. This was borne out by the facts. Seemingly no thought whatever had been given to efficient operating methods, and the entire system was more or less archaic. Much of the work was done two or three times and many unnecessary records were maintained. Such operating methods as this naturally will reduce the amount of the gross income which can be carried to net income.

The low percentage of demand deposits to total deposits in Bank "C" would naturally reduce the consumption of stationery and supplies in their relation to gross income. Commercial departments require more stationery and supplies than savings departments.

To a great extent the difference in income and building taxes accounted for the fact that Bank "A"'s ratio of taxes was higher than in the other banks. Its building was two stories higher than was Bank "C"'s, which increased the assessment. Taxes, however, are a matter largely outside the control of management.

WRITE-OFFS

THE losses written off show Bank "C" in a very favorable light, whereas Bank "A" shows up poorly. The average annual losses for 10 years in Bank "A" would consume the entire gross income for one year out of every 8.81 years. To put this in another way, Bank "A" wrote off losses averaging $72,732.83 per year over a 10-year period. This was equivalent to 11.36 per cent of its annual gross income. Bank "C", on the other hand, wrote off only 4 per cent of its gross income annually for an average of 10 years. This means that it required 25.04 years for its losses to equal one year's income. Thus it is seen that the strongest link in Bank "C" is the weakest link in Bank "A".

The percentage of average losses to average earning assets in Bank "C" were .21 per cent, in Bank "B" they were .33 per cent, and in Bank "A" .73 per cent. If Bank "A" had been controlling its investment and lending policies as well as had Bank "C" its average losses would have been reduced from $72,732.83 to $20,974.56. This would

FOUNDED 1812

THE PENNSYLVANIA COMPANY

FOR INSURANCES ON LIVES AND GRANTING ANNUITIES

Philadelphia, Pennsylvania

MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Deposits $230,600,000
Resources 254,200,000
Personal Trust Funds . 874,500,000
Corporate Trust Funds, 1,727,600,000

Complete Service
Including General Banking · Savings Accounts
Safe Deposit Facilities
Personal and Corporate Trust Service

•

BANK ACCOUNTS ARE PARTICULARLY SOLICITED
COLLECTIONS HANDLED WITHOUT DELAY
DIRECT ROUTING OF ITEMS

•

TRANSIT DEPARTMENT OPERATES DAY AND NIGHT

be a saving of $51,758.27 annually, which would have represented 5.17 per cent on its capital stock or 2.02 per cent of its invested capital.

It will be noted that the ratio of stockholders' funds to deposits was rather high in Bank "A", being $1 of stockholders' funds for each $3.83 of deposits. In Bank "B" this ratio was $1 to $5.22 and in Bank "C" it was $1 to $6.34.

Naturally it is much harder to make an adequate return on invested capital where the ratio of stockholders' funds to deposits is too high. A ratio of $1 of stockholders' funds to each $6.00 of deposits is usually considered amply sufficient margin. Therefore Bank "C"'s structure was the best balanced of all.

All these points are pertinent to management. Bank "C" was proud of its small losses. Bank "A" was proud of its up-to-date and efficient operating methods. Both had cause for their pride. Yet both were failing in other vital points of management.

If the bad points in each bank had been replaced by the corresponding better points in one of the other banks, each of their net incomes would have been increased as follows: Bank "A" would have retained 40.93 per cent of its gross income, Bank "B" would have retained 35.04 per cent, and Bank "C" 29.98 per cent.

This makes allowances for any changes due solely to size. Naturally Bank "C" could never expect to collect in service charges the amounts which Bank "A" or Bank "B" could collect. As the expenses do not increase at all proportionately with the collections of service charges, the latter greatly increase the percentage of the total gross income which can be retained as net income.

These figures do not represent the ideal for any of the three banks. No comparisons with other institutions can do that. Such comparisons, however, can reveal weak points.

In order to be successful, management needs complete pictures. It is only by having complete pictures that the weak points can be recognized and steps taken to rectify them. Proper comparisons with other institutions are often the first step in revealing weak points.

	BANKS		
	"A"	"B"	"C"
PERCENTAGES OF EXPENSES TO GROSS INCOME			
Salaries—officers and directors	5.39%	3.80%	8.14%
Salaries—other employees	8.78	9.48	13.87
Stationery and supplies	1.83	1.05	.80
Insurance	1.57	2.07	1.55
Postage, telephone and telegraph	.45	.58	.36
Taxes	6.27	4.55	4.51
Building expenses and repairs	5.67	1.39	7.27
Special services	1.42	1.29	.59
Advertising	.49	.54	.90
Miscellaneous	1.40	2.12	.40
TOTALS	33.27%	26.87%	38.39%

METHODS AND OPERATIONS

EACH month BANKING publishes the best available information on current problems of administration. The purpose is to furnish timely management counsel which can readily be adapted to the needs of individual banks. Discussion is invited on subjects considered.

STATEMENT OF CONDITION

Mercantile-Commerce Bank and Trust Company

Locust ~ Eighth ~ St. Charles
St. Louis

DECEMBER 31, 1935

THE RESOURCES

Cash and Due from Banks			$53,190,169.06
U. S. Government Obligations, direct and guaranteed—			
Pledged	$ 8,078,684.49		
(Unpledged)	42,381,225.18	50,459,909.67	$103,650,078.73
Other Bonds and Securities—			
(Pledged)	None		
(Unpledged)	$20,193,367.20	$20,193,367.20	
Demand Loans		8,141,464.59	
Real Estate Loans		9,557,095.94	
Time Loans		11,441,658.65	49,333,586.38
Stock in Mercantile-Commerce Company			6,000,000.00
(As authorized by the Banking Act of 1933, the Mercantile-Commerce Company is a wholly-owned subsidiary of this Bank, with no Liabilities. Its Assets consist entirely of U. S. Government Obligations, carried at par.)			
Stock in Federal Reserve Bank in St. Louis			360,000.00
Real Estate (Company's Building)			2,500,000.00
Safe Deposit Vaults			600,000.00
Other Real Estate (Former Bank of Commerce Bldgs.)			1,500,000.00
Overdrafts			4,508.13
Customers' Liability on Acceptances and Letters of Credit			162,369.12
Other Resources			45,507.03
			$164,156,049.39

THE LIABILITIES

Capital Stock			$10,000,000.00
Surplus			2,000,000.00
Undivided Profits	$2,428,742.34		
Reserve for Dividend Declared	100,000.00		2,528,742.34
Reserve for Contingencies			753,028.09
Reserve for Interest, Taxes, etc.			670,000.00
Unpaid Dividends			4,110.00
Bank's Liability Account Acceptances and Letters of Credit			162,369.12
Deposits, Secured: Public Funds	$ 9,183,969.70		
Other Deposits, Demand	108,564,034.76		
Other Deposits, Time	30,289,795.38	148,037,799.84	
			$164,156,049.39

All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Explorer and the Florist

THERE was a bank customer who was an explorer. Before he joined an expedition into the heart of Asia he opened a custodian account with his bank so that his affairs could be properly handled while he was away.

A few months later a company in which he was a shareholder announced an issue of stock subscription rights. The bank promptly informed him and was prepared to sell his allotment at maturity unless advised not to.

The maturity date drew near, but the rights were not received. Inquiry disclosed that the mailing department, by mistake, had forwarded them to Asia. The bank immediately telegraphed the company a guaranty for the issuance of new rights, arranging for payment of the costs through a correspondent. In due time the customer cabled selling instructions and the transaction, thanks to the bank's initiative, was completed smoothly. The explorer was unaware that any mixup had occurred until he had been notified of the sale and requested to return the old rights to the bank so that it might cancel its guaranty covering issuance of the second set.

In another instance the person who profited by intelligent banking service was a florist. On his desk one morning he found the largest order he had received in months, and naturally he was pleased. One point, however, puzzled him. The customer, then residing in South America, had requested that the goods be shipped to him in care of a bank. Heretofore, during the customer's residence in the United States, he had always sent a check to cover orders and consequently the florist had never determined the man's credit rating.

Nevertheless, the florist gave the nursery the order, together with careful instructions for packing and shipping. A few days later he received the bills of lading from the nursery and presented them, with his draft, for collection. He was surprised when his banker informed him that the goods were bound for a country which required a consular invoice on all imports; still, it might be possible to obtain either the necessary document or papers which would be accepted by the authorities at the port of unloading.

The bank got in touch with the cus-

STATEMENT OF CONDITION
DECEMBER 31, 1935

★

ASSETS

Cash in Vault, and with Banks	$ 23,396,849.16
U. S. Government Bonds and Home Owners' Loan Corp. Bonds	58,404,306.80
Other Bonds and Securities including Stock of the Federal Reserve Bank	10,246,375.86
Accrued Interest and Other Assets	950,639.01
Bank Premises	3,502,356.40
Other Real Estate	2,164,742.81
Customers' Liability under Acceptances and Letters of Credit	706,358.42
Loans and Discounts	47,615,679.93
	$146,987,308.39

LIABILITIES

Capital Stock — Preferred	$ 8,000,000.00
Capital Stock — Common	5,000,000.00
Surplus, Undivided Profits and Reserves	1,535,710.33
Reserve for Interest, Taxes, etc.	282,762.21
Other Liabilities	66,626.23
Letters of Credit and Acceptances	717,143.59
Deposits	131,385,066.03
	$146,987,308.39

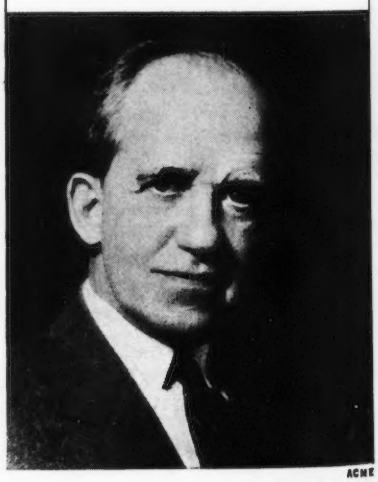
CENTRAL UNITED NATIONAL BANK
OF CLEVELAND

ELEVEN CONVENIENT OFFICES

Member Federal Deposit Insurance Corporation

TREASURER

Arthur T. Roberts, below, succeeds F. S. Fales as treasurer of the Socony-Vacuum Oil Company. He has previously been assistant treasurer



ACME

toms house and submitted an affidavit setting forth the circumstances. It cabled the embassy at the foreign port requesting issuance of an invoice that would allow the goods to be taken from the docks pending receipt of the original consular invoice. The bank, moreover, pointed out that since the goods were perishable special insurance should have been obtained to cover them on the long voyage. It also explained to the florist several technicalities, especially in connection with bills of lading, which shippers of goods to foreign countries should observe and with which he had been unfamiliar. He admitted that he had known nothing of the details of shipping and forwarding regulations.

The necessary papers were sent to the bank's correspondent for delivery against payment. Weeks passed and then a cablegram informed the bank: "Draft held awaiting payment. We have cleared goods now in warehouse. Please instruct."

The only instruction the bank could give its correspondent was to hold the draft, for the florist did not know the exact whereabouts of his buyer or when the draft would be paid. Needless to say, the draft was not paid, for the consignee refused to accept the spoiling merchandise he found when he called at the warehouse to inspect.

If the florist had consulted his bank prior to shipping he would have been advised to have his customer furnish him with a commercial letter of credit covering the shipment. Also, a checkup could have been made, through the bank's credit department, to ascertain the exact whereabouts of the customer.

Reduced to cases, banking service is the story of the customer's business—his problems, needs, interests, products, markets, personal financial affairs, and the other points of contact between bank and individual.

Every banker recalls innumerable instances of cheerfully rendered service, involving no small amount of effort, for the assistance of the customer. Many of these cases are dismissed with a prosaic entry on a ledger sheet.

If banking institutions could preserve, in scrapbooks, detailed accounts of their activities on behalf of customers the record thus compiled would rival in volume the annual output of the operating departments. What is more important, it would picture achievements of management which never can be expressed in figures.

The incidents related above are not unusual; in many banks they would be considered routine. But they typify the pains banks take to help customers who often are unaware that intricate machinery has been set in motion for their convenience.

THE FLEET

Vice-Admiral Hepburn, below, will, next June, succeed Admiral Reeves as commander of the United States fleet



WIDE WORLD

NATIONAL BANK OF TULSA

NBT

Statement of Condition December 31, 1935

RESOURCES

Cash and Due from Banks	$20,407,643.83	
U. S. Government Securities	13,309,557.95	
Other Bonds and Warrants	3,326,247.44	
		$37,043,449.22
Loans and Discounts		15,430,113.94
Overdrafts		2,136.00
Income Receivable Accrued		141,572.77
Stock in Federal Reserve Bank		240,000.00
Investment in Bank Premises		2,206,000.00
Customers' Liability under Acceptances		5,773.00
TOTAL		$55,069,044.93

LIABILITIES

Deposits		$46,600,899.11
Acceptances Executed		5,773.00
Income Collected Not Earned		57,957.89
Interest, Taxes, etc., Accrued		60,210.54
Capital — Preferred	$4,000,000.00	
Capital — Common	2,000,000.00	
Surplus	2,000,000.00	
Undivided Profits and Reserves	344,204.39	
		8,344,204.39
TOTAL		$55,069,044.93

COMPARATIVE DEPOSITS

December 31, 1933	$28,016,837.43
December 31, 1934	37,292,321.66
December 31, 1935	46,600,899.11

NATIONAL BANK OF TULSA

TULSA, OKLAHOMA

The Oil Bank of America

Member Federal Deposit Insurance Corporation

Bonus Chronology

HERE, in chronological order from 1917 through 1935, are the provisions made by the United States Government for the benefit of soldiers and veterans:

1917 (October). President Wilson signs the War Risk Insurance Act providing: (1) compensation for death and disability in the line of duty, (2) family allotments and allowances for the dependents of officers and enlisted men, (3) hospital treatment for all men injured in the line of duty, (4) vocational rehabilitation for permanently maimed veterans, (5) term life insurance at average cost of $9.60 a year per $1,000 of protection (peace time rates).

1921 (August 9). President Harding signs bill pooling all veteran functions under a new Veterans' Bureau.

1923 (March 4). The 1917 law is further amended; this is the third liberalization.

1924 (May 15). President Coolidge vetoes bonus bill.

1924 (May 19). Adjusted Compensation Act becomes operative over presidential veto by two-thirds majority votes in both houses.

1924 (June 7). The whole body of veteran law is codified in the World War Veterans' Act.

1925, 1926, 1928, 1930. Administrative code successively liberalized and revised.

1931 (Feb.). Houses pass bill providing for loans on certificates to 50 per cent of face value at 4½ per cent. President Hoover vetoes bill; warns of tax rise; Congress overrides veto.

1932 (June). House passes and Senate defeats Patman bonus bill.

1932 (July 21). President Hoover signs bill reducing interest to 3½ per cent.

1932 (Sept. 15). American Legion demands immediate bonus payment.

1933 (March 5). Hoover pocket vetoes independent offices bill providing veterans' pensions and benefits.

1933 (March 10). President Roosevelt sends message to Congress with bill to cut veterans' expenditures by limiting disability grounds.

1933 (June 6). President Roosevelt issues 5 executive orders modifying cuts; orders cover only direct service cases.

1934 (March 27). President Roosevelt vetoes independent offices bill passed by both the Houses and restoring all the benefits to the veterans cut by the Economy Act; Congress overrides veto.

1935 (May). Congress passes Patman bill.

1935 (May). President delivers veto message before Congress; House immediately overrides veto. Senate upholds it.

1935 (August 13). President Roosevelt signs bill restoring full pensions to Spanish-American, Boxer and Philippine Insurrection veterans.

1935 (Dec. 16). American Legion asks immediate payment of the bonus.

CITIZENS

NATIONAL TRUST & SAVINGS BANK
***of* LOS ANGELES**

MEMBER FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Condensed Statement of Condition
at close of business December 31, 1935

RESOURCES

Cash and Due from Banks		$28,480,167.58
United States Obligations, Direct or Fully Guaranteed		15,393,730.65
State, County, and Municipal Bonds		9,691,651.76
Other Bonds		1,912,818.79
Loans and Discounts		47,663,666.41
Federal Reserve Bank Stock		240,750.00
Stock in Commercial Fireproof Building Co.—Head Office Building		383,825.00
Bank Premises, Furniture and Fixtures, and Safe Deposit Vaults (Including Branches)		1,204,658.35
Other Real Estate Owned		2,257,691.43
Customers' Liability under Letters of Credit and Acceptances		422,331.89
Earned Interest Receivable		286,969.91
Other Resources		738,298.77
TOTAL		$108,676,560.54

LIABILITIES

Capital Stock	$5,000,000.00	
Surplus	3,025,000.00	
Undivided Profits	1,330,497.04	$9,355,497.04
Reserved for Contingencies, Taxes, Interest, Etc.		357,261.49
Dividend Payable January 2, 1936		75,000.00
Discount Collected—Unearned		34,091.61
Letters of Credit and Liability as Acceptor or Endorser on Acceptances and Foreign Bills	$1,131,158.11	
Less: Amount in Portfolio	618,135.25	513,022.86
Other Liabilities		96,488.36
Deposits		98,245,199.18
TOTAL		$108,676,560.54

***Head Office:* Spring Street at Fifth**
***Hill Street Office:* 736 S. Hill Street** ***Broadway Office:* 308 S. Broadway**
BRANCHES THROUGHOUT LOS ANGELES

It Might Have Been Prevented

PROTECTIVE equipment can hardly be expected to accomplish its purpose if it is not used properly or to the best advantage. Many bank robberies might have been frustrated had employees remembered that time locks, however efficient, still require a bit of human cooperation.

Four men strolled into a western bank not long before the closing hour. The tellers and officers were busy with a few customers, and back of the cages the usual routine was in progress.

Shutting the door carefully, three of the newcomers drew revolvers and the fourth produced a sub-machine gun. Their spokesman volunteered the rather obvious information that the bank was being held up. While the machine gunner kept the customers at bay, his confederates hurdled the tellers' cages, ordered the dozen or so employees to lie face down on the floor, seized the counter cash, and added a handful of coupons for good measure.

Then the leader commanded a bank officer to open the combination on the safe.

"I'm sorry, but I can't," said the banker. "It has a delayed time lock that won't run down for 15 minutes."

"Sure, we know all about that," the bandit said. "But I think it would be a good idea if you just went ahead and tried, anyway."

The officer fussed a few seconds with the combination and the robber took hold of the safe handle. To the surprise of both men, the door opened. The thug crammed several thousand dollars in cash into a canvas bag, mustered his companions, and the four fled, crawling through a back window which, incidentally, was not barred.

Inquiry disclosed that before the holdup occurred one of the bank employees had gone into the vault to get some currency from the time-locked safe. After working the combination so that the clock would run down, giving him access to the contents, he engaged in a conversation with an associate. The visit was still in progress when the bandits arrived.

The subsequent effort to open the safe, of course, found the time lock no longer on duty and when the officer performed the comparatively simple manual task of working the combination, the robbers got the chance which only a few minutes before had seemed exceedingly remote. But they happened to catch the bank off guard.

Easy Money

IT hardly seems necessary to comment on the lack of loss prevention care illustrated by the following case, which concerns a small bank.

The cashier had gone on an errand and the assistant cashier was sitting on a bench just across the street. The bank was left in charge of a woman clerk.

Two men entered, one asking the woman to change a bill, the other walking to the door that led to the rear of the bank. The clerk noticed that both were wearing false mustaches and she became badly frightened. When one of the men approached the cage door she ran out of the rear door, screaming.

The bandits forced the lock on the cage, hurriedly took the currency on the counter and in the cash drawer, and escaped in the car that was awaiting them directly in front of the building.

Bank of America

NATIONAL TRUST & SAVINGS ASSOCIATION

A CALIFORNIA STATEWIDE BANK

Condensed Statement of Condition December 31, 1935

RESOURCES

Cash in Vault and in Federal Reserve Bank		$ 63,311,862.10
Due from Banks		71,677,843.58
Securities of the United States Government and Federal Agencies		488,574,774.63
State, County and Municipal Bonds		91,510,898.58
Other Bonds and Securities		40,133,885.40
Stock in Federal Reserve Bank		2,475,000.00
Loans and Discounts		451,009,354.44
Accrued Interest and Accounts Receivable		6,163,430.97
Bank Premises, Furniture, Fixtures and Safe Deposit Vaults		35,394,076.32
Other Real Estate Owned		8,856,786.10
Customers' Liability on Account of Letters of Credit, Acceptances and Endorsed Bills		17,580,256.69
Other Resources		731,212.61
Total Resources		$1,277,419,381.42

LIABILITIES

Capital		$ 50,000,000.00
Surplus		32,500,000.00
Undivided Profits		18,367,306.53
Reserves		3,240,346.80
Liability for Letters of Credit and as Acceptor, Endorser or Maker on Acceptances and Foreign Bills		18,046,263.51
Deposits:		
Commercial	386,051,582.12	
Savings	769,213,882.46	1,155,265,464.58
Total Liabilities		$1,277,419,381.42

This statement includes the figures of the London, England, banking office of Bank of America, N. T. & S. A., and does not include the ten banking offices of the Bank of America (a California State Bank) under the same management.

MAIN OFFICES IN TWO RESERVE CITIES OF CALIFORNIA

SAN FRANCISCO — 1 POWELL ST.

LOS ANGELES — 660 SO. SPRING ST.

MEMBER FEDERAL RESERVE SYSTEM — 431 Banking Offices in 264 California Communities — MEMBER FEDERAL DEPOSIT INSURANCE CORP.

Insured Mortgage Loans

BANKING institutions seeking to lend money under Title II of the National Housing Act are using a wide variety of methods in the development of new business. As was the case with the modernization and renovation loans, campaigns for the placement of funds in insured mortgages have developed many approaches to the task of contacting prospective builders and buyers.

Probably no two financial organizations have gone about the work in just the same way, but most of the plans, it would seem, are based on the assumption that salesmanship is an essential element of any business-producing formula. Advertising and promotional enterprises are being employed effectively, sometimes by the lenders alone and often in cooperation with local groups of contractors, supply dealers or others interested in the construction industry and the better housing movement.

A few examples of the initiative taken by banking institutions toward putting men and money to work for the mutual benefit of borrower, lender and community can offer only a meager cross section of what is being done throughout the country with this form of banking service, but they are fairly representative.

When, for example, the First National Bank of Danville, Illinois, decided to offer Title II loans it started a contest among its employees. The staff member who developed the largest volume of mortgage business during the month of November was to receive a check for $25, and there were second and third prizes of $15 and $10. The purpose was not so much to write an appreciable amount of business as to familiarize the employees with the project, thus enabling them to talk about it intelligently to customers.

B. C. English, the First National's president, reports that a number of the employees became very much interested, produced some new business, and learned the details.

"We feel the contest was well worth while," he writes. "We followed it up with several clinics at which we had the state representatives of the Federal Housing Administration present, and out of that developed a number of prospects.

"We find that the actual process of going through with Title II loans is rather slow and takes considerable time, but we are now daily receiving benefits, not only from the contest we had, but from prospects developed in the clinics.

"We feel this is an excellent field for good loans, but must be developed slowly and will probably take a year or two before it is in full swing."

The experience of The American National Bank of Kalamazoo, Michigan, in developing and handling F.H.A. loans is set forth as follows by the president, Dunlap C. Clark:

"We advertise regularly in the local newspapers, devoting perhaps a fifth of our advertisments to F.H.A. activities. At the annual home show held in Kalamazoo last Spring, we maintained



A Machine
after a BANKER'S HEART

Bankers and business men generally know the value of accuracy. So does the teletypewriter. It types words and figures by wire to nearby or distant points—gets them right. Says the manager of the accounting division of one user: "It has meant a definite saving in costs... neater, more accurate service. We are more than satisfied." Thus another Bell System service contributes to the success of many industries.

BELL TELEPHONE SYSTEM

ESLEECK
THIN PAPERS
Reduce Typing, Mailing and Filing Costs.
Use Them For Records—Forms Copies—Thin Letterheads Advertising Literature, etc.
SEND FOR SAMPLES
ESLEECK MANUFACTURING CO.
TURNERS FALLS, MASS.

Short Term Notes
Rates and Maturities Upon Request
Commercial Credit Company
Baltimore
Sales Offices
New York Boston
Chicago St. Louis

PROTECT O SEALS
Use in place of wax to safeguard valuable mail. Save postage, time; easy to apply. Approved by Post Office. Write for samples, prices.
ST. LOUIS STICKER CO.
1905 Pine St. St. Louis, Mo.

a booth to disseminate information to the public, and shall participate again this Spring. Further, we sponsored during the Summer months a free advisory service by registered architects in our banking quarters to advise those contemplating building or extensive remodeling. [A communication from Mr. Clark on this feature was published in the September 1935 issue of BANKING.] Also, talks on the advantages of F.H.A. financing have been given by our officers before various local organizations and clubs.

"Prospective applicants are questioned regarding the eligibility of the property, and if found satisfactory we proceed with the application and have the property appraised by our own appraiser. The application is then forwarded to the regional F.H.A. office in Detroit for approval. When the commitment is given, the abstract of title is examined by our attorney, who draws up the mortgage papers for execution.

"In the handling of new construction loans, temporary financing must be arranged for during the construction of the house before application is sent to the F.H.A. regional office for approval. These are customarily against unsecured notes, signed jointly by husband and wife.

"We are as meticulous in the selection of our risks on these loans as on others, not figuring that merely because the mortgages are insured we are justified in relaxing our vigilance.

"Our relations with our mortgage loan customers increase in value as the monthly payments are made, as they are inclined to handle all their business at one bank. As an additional service, we offer to charge the amount of the payment to their accounts on the first of each month and advise them by mail.

"One of the problems involved in Title II mortgages was the handling of moneys deposited to take care of the mortgage insurance premiums, taxes, and hazard insurance. This has been taken care of by keeping a complete record of these payments on the reverse side of the mortgage ledger sheet, and all moneys are deposited in one account."

MILWAUKEE EXPERIENCE

THE Badger Savings, Building and Loan Association, of Milwaukee, active in the F.H.A. mortgage field, has done some helpful promotional work. It had a representative of the Federal Housing Administration at its office to explain the plan to inquirers and remained open two evenings a week to accommodate persons who could not call during usual business hours. The public was informed of this arrangement in radio and newspaper announcements, and as a result, says L. E. Stanton, secretary of the association, many satisfactory loans were put on the books.

Early this Winter Mr. Stanton sent a letter to all architects, contractors, millwork and lumber dealers, and realtors, with whom he had communicated about a year ago, calling attention to the association's work in the insured loan field and reminding them that through its efforts many firms had received contracts.

"We are trying to do business in the 1935–36 way," said the letter, "and we solicit your cooperation.

"We stand ready to consider any fair loan, whether it be new construction, remodeling or refinancing. We have no desire whatever to do business with any fly-by-night concern and we have no funds for that kind of work. We prefer stone or brick homes because our experience with that type has been A-1. We also prefer loans through the F.H.A. for the reason that they are insured and also for the reason that their inspection check-ups have done a mighty fine job in eliminating the faulty construction which brought so much grief to all of us in the past."

This custom of the founders is still the basic idea of all our activities

1889 1936

Since this bank was founded more than four decades ago it has sought to work closely with the individual customer. Correspondent bankers have found this individual treatment desirable. As a matter of course, the bank handles routine transactions with dispatch and satisfaction. The inquiries of out-of-town bankers are welcome.

THE NORTHERN TRUST COMPANY

NORTHWEST CORNER LA SALLE AND MONROE STREETS, CHICAGO

Member Federal Deposit Insurance Corporation

The Timeliness of the Trust Idea

MOST outstanding successes have arisen from the possession of a fundamental idea launched at the right time. There is ample proof that both the idea and the time are present today in the case of trust departments.

Their fundamental idea is the one that prompted the development of corporate trust service: "The Protection of Your Family through a Sound Estate Plan." It is fundamental, for it is based on the desire of every man and woman with dependents that these dependents shall be protected. When a man marries, he promises to protect his wife through life; and he means through her life, not his. His interest in his children extends through their lives as well. This desire has been the major cause of the accumulation of property.

But never before has the time been so opportune for trust companies to capitalize fully on this fundamental idea. To the sound, progressive institution, it opens the door of one of the greatest of modern opportunities—a door leading not only to profit but to the equally important opportunity to serve.

Why is 1936 the right time to re-christen and launch this fundamental idea that has been in drydock for the past five years?

First, the depression, the first widespread economic breakdown since trust companies have been a factor, has made men realize the fallibility of the individual. It has taught them that the investment world is most complex—that capital needs constant watching. Skilled management has begun to learn that the care of capital is the work not of one man but of a trained organization.

It is a far cry from the simple transfer of property at death in the 19th century to the complex transfer in these days. So we find the prospective user of trust service eager for information on how to safeguard his family's future. Disturbed by the threat of ever higher taxes, of the schemes for sharing the wealth, of the constantly changing face of the business and political world, he is as ready to change to a better method of protection, when it is disclosed to him, as his ancestors were to change from the oil lamp.

NOW BETTER EQUIPPED

SECOND, trust departments have passed through the acid test. They did not make a perfect score; but they came through with a sound record of performance, infinitely better than that of individuals acting in similar capacities. Above all, they learned lessons in the hard school of the depression that have equipped them to render a higher type of service than was previously possible. It is true that some came out of that period with the belief that the trustee's first duty was to protect itself, but these timid souls are in the minority. A trustee's first duty is to the estate it manages. If it serves that estate intelligently and well, it automatically protects itself.

Third, the trust department's chief competitor—the individual—is beginning to sense his unfitness for the complicated task that devolves upon a fiduciary and is deserting the field for what are to him greener pastures. In earlier days it was considered an honor to be named executor trustee under a friend's or relative's will. In many cases, the honor carried with it financial gain. Today many business men reject the

FIDELITY UNION
TRUST COMPANY
NEWARK · EAST ORANGE
NEW JERSEY

Condensed Statement of Condition
as at the close of Business, December 31, 1935

RESOURCES

Cash and Due From Banks	$27,144,995.43
U. S. Gov't Obligations (*Direct or Fully Guaranteed*)	41,398,499.35
State, County and Municipal Bonds	13,004,276.81
Other Bonds and Securities	15,397,153.47
Loans and Discounts	33,374,330.82
Bonds and Mortgages	13,106,232.26
Banking Houses	2,887,598.57
Other Real Estate Owned	3,323,252.99
Customers' Liability — Account of Acceptances	141,473.30
Accrued Interest Receivable	509,113.17
Other Assets	344,688.86
	$150,631,615.03

LIABILITIES

Capital — Preferred Stock	$7,000,000.00
Common Stock	4,000,000.00
Surplus	2,500,000.00
Undivided Profits	2,153,305.35
Reserved for Contingencies, Etc.	1,067,071.89
Deposits	133,584,321.53
Acceptances Outstanding	141,473.30
Accrued Interest Payable	144,320.15
Other Liabilities	41,122.81
	$150,631,615.03

When corporations and individuals move from your city to the Newark territory, give them a letter of introduction to New Jersey's largest bank

Member Federal Reserve System and Federal Deposit Insurance Corporation

By ALBERT JOURNEAY
Vice-president, the Purse Company

honor, for it has become an arduous task, coupled with great responsibility and small compensation. It is an undertaking profitable only in bulk, and those individuals who realize this decline with thanks and suggest that the trust company can perform the task far better.

Fourth, the opposition of the bar is turning to cooperation where it helps most, at the top. It has served a valuable purpose, as honest opposition usually does. It has been a factor in causing trust companies to strive for ever higher standards of performance, knowing that weakness will be grist for the mills of the opposition. When the faults were eliminated, many of the leaders of the bar found the service offered of great value to their clients, often to their own estates. They have not been slow to take advantage of it.

UNDERWRITER COOPERATION

FIFTH, the pendulum is swinging back in the case of cooperation of life underwriters and trust companies. For several years, we have witnessed the strange sight of two leading financial groups with mutual interests, each taking an antagonistic attitude toward the other and thereby hurting its own institutions. This antagonism is dying out, and once more we find the two beginning to feed peaceably in the same pasture. As the president of one leading insurance company expressed it, his company has ceased to sell life insurance as a "wrapped up package" and is now offering it in its relation to a man's individual needs, a part of a complete estate plan. The completion of such a plan, if it be sound, involves the work of the underwriter and the trust man. Both are again recognizing that one is supplementary to the other.

RIGHT IDEA—RIGHT TIME

QUOD erat demonstrandum: Trust companies possess a fundamental idea at the right time.

The next question is: "What will they do with it?"

The answer will hinge on the degree of recognition of the present situation on the part of trust executives, and their ability to make their associates in the banking departments (who still hold the pursestrings and whose cooperation is a material factor) see eye-to-eye with them. It will depend on the ability of trust companies to remove the bushel from their light so that men and women needing their services may find them easily, instead of stumbling along blindly and, more often than not, missing them entirely.

Trust companies have had a "better mouse trap" for a long while; but, in the main, people have purchased it only when it has been brought to their attention. Not many have sought it out of their own accord. It is more than coincidence that the major development of trust business has paralleled the development of trust advertising, which dates back to the beginning of the second decade of this century. It is equally significant that this development was greatly augmented when to advertising was added merchandising or, as it is commonly called, trust solicitation.

But the depression brought an abrupt halt to both advertising and solicitation on the part of most trust organizations. What has been happening is an expenditure of inventory without compensating replacement. On the wills written today hinges the new business of tomorrow; and unless steps are promptly taken to replace that inventory, some thin years from the standpoint of profit lie ahead of many trust departments.

Fortunately the market is favorable; the inventory may be replaced more quickly than at any other period.

177*th* SEMI-ANNUAL STATEMENT OF CONDITION

The Boatmen's National Bank of St. Louis

AT THE CLOSE OF BUSINESS
DECEMBER 31, 1935

RESOURCES

Cash and Due from Banks		$18,301,120.15
Bonds and Stocks, including:		
U. S. Government Obligations		17,310,814.30
Other Securities fully guaranteed by U. S. Government		1,025,414.09
Federal Intermediate Credit Bank Debentures		1,170,205.62
State and Municipal Bonds		2,302,389.46
Other Investment Bonds, etc.		919,778.73
Stock Federal Reserve Bank		105,000.00
Loans and Discounts		11,015,824.40
Safe Deposit Vaults, Fixtures, Real Estate, etc.		279,195.40
Overdrafts		70.71
Accrued Interest Receivable		167,074.21
Other Resources		11,573.10
		$52,608,460.17

LIABILITIES

Capital Stock, Preferred		$ 500,000.00
Capital Stock, Common		2,000,000.00
Surplus		1,000,000.00
Undivided Profits		309,475.91
Reserve for Contingencies		216,077.74
Reserve for Dividends on Common Stock, Payable Jan. 1, 1936		25,000.00
Reserve for Taxes, Interest, Etc.		28,466.18
Other Liabilities		56,671.99
Deposits:		
U. S. Government, City of St. Louis and Other Secured Public Funds	$2,508,497.08	
Temporary Public Fund	2,866,393.28	
Demand	37,801,963.28	
Time	5,295,914.71	48,472,768.35
		$52,608,460.17

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Statement of Condition, December 31, 1935

RESOURCES

Cash and Due from Banks	$ 855,637,783.03
U. S. Government Obligations, direct and fully guaranteed	561,505,499.96
State and Municipal Securities	99,894,190.76
Other Bonds and Securities	114,122,982.89
Loans, Discounts and Bankers' Acceptances	638,002,316.55
Banking Houses	38,941,619.44
Other Real Estate	4,106,118.75
Mortgages	2,550,792.62
Customers' Acceptance Liability	18,674,105.81
Other Assets	17,113,782.72
	$2,350,549,192.53

LIABILITIES

Capital Funds:		
Preferred Stock	$ 50,000,000.00	
Common Stock	100,270,000.00	
Surplus	50,000,000.00	
Undivided Profits	21,897,329.48	
		$ 222,167,329.48
Reserve for Contingencies		18,739,690.12
Reserve for Taxes, Interest, etc.		951,157.42
Deposits		2,075,121,090.68
Acceptances Outstanding		20,518,919.58
Liability as Endorser on Acceptances and Foreign Bills		7,771,008.57
Other Liabilities		5,279,996.68
		$2,350,549,192.53

United States Government and other securities carried at $121,559,962.64 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Cut Rate Money

(CONTINUED FROM PAGE 20)

more fortunate fellows. Other thousands are hopelessly involved and for them liquidation was, is and will be the only solution. Between these two classes there are speculators, minors, estates, old people with no income, and a host of others who make a ready audience for those who have no regard for the sanctity of obligations and who preach the gospel of repudiation. No political administration, however well-intentioned, can supply those restraints and restrictions so necessary to sound credit practices without incurring the ill-will of the voters who borrow from it, and thus it is persuaded to follow the line of least resistance. Few people question the necessity for many of the lenient policies adopted to help those who have honestly tried, but the high delinquency record on loans made by the Government lending agencies is fraught with danger, discloses altogether too much disregard for promises made, and is but a practical illustration of what invariably happens when the sovereign enters the lending business. Such items as the Frazier-Lemke Act and other measures of its kind, which attempted to provide moratoria and enforced alteration of contract, can do nothing else but frighten investors and, from the long range viewpoint, be reflected in higher interest rates on all types of credit. Here again, we are not discussing the social merits of these measures but rather their practical effect on the rate structure.

CONTRIBUTIONS

THERE are two things these Government lending agencies have done which, in all fairness, it seems to me should be acknowledged as major contributions to the credit structure, in addition to their refunding activities. The one was to emphasize the importance of a proper amortization program in connection with capital loans in particular, and the other was to make us rate conscious. On neither of these is it necessary to elaborate. For many years some private lending agencies have recognized both the business and social advantages of amortized loans, but it took the credit crises and the attendant activity of the Government agencies to establish firmly the value of its general use. Again, their activity has had a salutary effect on "merchant credit" and on the operations of certain types of small loan sharks, whose exactions under the guise of interest rates were more than the traffic could bear. There is still much to be done in the field by banks themselves, to the benefit of their respective communities and their own individual profit account.

Secretary of Agriculture Henry Wallace has said "America must choose". But a choice as to whether or not it will function as a self-contained nation or as a part of an international society is not the only decision it has to make. It must also determine whether or not its credit machinery shall be one directed toward political ends without restraint, or one operated under private ownership with such supervision as will minimize the abuses which all intelligent men condemn. In the history of nations the answer to this question has been written more than once. It would be most unfortunate if we did not profit by the experience of those who have gone before.

GMAC
GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUXHALL, OPEL, BLITZ—foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise. Capital employed is in excess of $80,000,000, supplemented principally by short term borrowings.

In obtaining such short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.

GMAC
GENERAL MOTORS TIME PAYMENT PLAN

These NOTES *are available, in limited amounts, upon request.*

EXECUTIVE OFFICE NEW YORK BRANCHES IN PRINCIPAL CITIES

CONDENSED STATEMENT

FIRST NATIONAL BANK IN ST. LOUIS

At the Close of Business, December 31, 1935

RESOURCES

United States Government Securities	$71,532,442.35	
Other Securities Guaranteed by U. S. Government	13,576,470.24	
Cash and Due from Other Banks	83,979,537.06	
Total Cash and Government Securities		$169,088,449.65
Loans and Discounts		52,385,640.69
Other Bonds and Stocks		9,308,949.75
Stock in Federal Reserve Bank		382,500.00
Banking House, Improvements, Furniture and Fixtures		694,051.44
Other Real Estate Owned		2,100,143.61
Customers' Liability a/c Letters of Credit, Acceptances, etc.		796,098.02
Accrued Interest Receivable		679,442.87
Overdrafts		7,513.21
Other Assets		93,556.95
		$235,536,346.19

LIABILITIES

Capital		$10,200,000.00
Surplus and Profits		4,915,953.43
Reserve for Contingencies		1,625,000.00
Reserve for Taxes, Interest, etc.		382,380.17
Unearned Discount		111,182.60
Liability a/c Letters of Credit, Acceptances, etc.		868,917.18
Other Liabilities		2,083.85
Individual Deposits	$110,275,571.66	
Savings Deposits	30,350,080.82	
Bank Deposits	72,458,352.81	
Government Deposits	100,000.00	
City of St. Louis and Other Public Funds	4,246,824.47	
Total Deposits		217,430,828.96
		$235,536,346.19

Broadway · Locust · Olive

Member Federal Deposit Insurance Corporation

INSURANCE PROTECTS INDUSTRY

Insure with Companies Backed by Reputation and Strength

ASSOCIATED LUMBER MUTUALS

	Established
Lumber Mutual Fire Insurance Co., Boston, Mass.	1895
Lumbermens Mutual Insurance Co., Mansfield, Ohio	1895
Pennsylvania Lumbermens Mutual Fire Ins. Co., Philadelphia, Pa.	1895
Indiana Lumbermens Mutual Insurance Co., Indianapolis, Indiana	1897
Northwestern Mutual Fire Assoc., Seattle, Washington	1901

*COMBINED ASSETS *$20,773,590.00*

ASSOCIATED LUMBER MUTUALS — Sturdy as the Oak

*COMBINED SURPLUS *$9,752,509.58*

*Detailed January 1, 1935, statement of each or all of the companies will be sent upon request. Later figures are not yet available, but all of the companies had a good year.

The FORT WORTH NATIONAL Bank

Statement of Condition as of December 31, 1935

RESOURCES

Cash and Deposits with Others		$13,861,533.61
United States Government Obligations		7,469,318.92
Municipal and Land Bank Securities		3,271,939.89
Other Securities		473,873.95
Stock Federal Reserve Bank		97,500.00
Loans and Discounts		15,021,883.51
Interest Earned — Uncollected		107,564.12
Investment in Banking Premises	$1,300,000.00	
Building Bonds Owned (Entire Issue)	580,000.00	
Furniture and Fixtures	1.00	1,880,001.00
Other Real Estate		1.00
Customers Liability — Letters of Credit		1,000.00
Assets in Liquidation		1.00
Other Resources		36,402.04
TOTAL		$42,221,019.04

LIABILITIES

Deposits:		
Individual	$23,763,277.35	
Bank	12,377,726.06	
U. S. Government	52,217.54	
State, County and City	1,981,349.01	$38,174,569.96
Letters of Credit — Issued or Guaranteed		1,000.00
Interest Collected — Unearned		65,521.76
Reserve for Interest, Taxes and Expenses		102,618.98
Capital Account:		
Preferred Stock	$1,000,000.00	
Common Stock	1,500,000.00	
Surplus	775,000.00	
Undivided Profits	557,722.74	
Preferred Stock Retirement Fund	44,585.60	3,877,308.34
TOTAL		$42,221,019.04

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

What Banks Do

PRIZE essay contests sponsored by the Irvington National Bank, Irvington, New Jersey, among upper grade school children in its community attracted nearly 200 competitors.

Erwin O. Meeh, of the bank's staff, visited two Irvington schools and talked to the seventh and eighth graders on the topic "Banks—and What They Do". The pupils were asked to base their essays on what he had said, and the institution offered a bank book with an initial deposit of $5 as the award for the best composition in each school. The prizes were won by June Rademacher and Irving Malamut, both eighth graders. Irving's follows:

"Years ago, before the banking system was introduced in the United States, people hid their money under rugs, in mattresses, or any place that would afford concealment. Today when we have thousands of banks in the country, people have a place to put their money and valuables without worrying about their safety.

"Banks do many things to help the community. They have a savings department where the depositor's money is kept safe until he wishes to withdraw it. The bank even pays interest on the money that is deposited in the savings account.

"Another account of the bank is the checking account. At the end of the month the cancelled checks are returned to the maker to be used as a receipt. The checking account saves the business man much time and worry, for instead of carrying the money around with him he can pay his bills with checks.

"Another work of the bank is to loan money with a small rate of interest to any individual who can leave some securities or has the means of paying back the loan at the proper time. The bank does not invest money in risky securities and stocks that can not readily be exchanged for cash, as this will jeopardize the depositor's money. Money can be drawn out of the bank any time it is desired.

"The bank does many other things concerning money. They have traveler's checks for the convenience of the traveler. They rent safedeposit vaults at a low cost to individuals who have valuables they wish to keep safe.

"Thus the three main functions of the bank are: 1. To keep money safe for the community. 2. To save time for the business man. 3. To give loans to individuals who need them."

Regulations

(CONTINUED FROM PAGE 69)

officer or employee of a member bank may serve one other bank named in the application until the next election of directors of the banks involved, or until March 1, 1936, whichever is earlier.

Under specified conditions, an officer, director or employee of a member bank may serve another bank for not more than six months, pending their consolidation or the purchase of the assets of either bank by the other.

While the exceptions in section 3 are many, the private banker or the person connected with a member bank may thereunder serve only one other bank.

SECTION 4. ENFORCEMENT.

The statute and regulation presuppose that each person involved is in the first instance to decide whether the particular joint service is permitted. Each Federal Reserve agent shall have an analysis made of available information in reports and other sources, and if there is an apparent violation of the statute, he shall notify the person and the banks involved with a view of ascertaining whether the joint relationship is authorized, and, if not, obtaining compliance with the law. If he determines that a violation has not been corrected within a reasonable time after notice, he shall report the facts to the Board of Governors with his recommendation.

The Appendix to the regulation quotes the statutory provision that if a person is eligible at the time of his election or selection as director, officer, or employee of a bank, a change in its affairs will not affect the validity of his service until "one year from the date of his election or employment". Illustrations of its application might be the establishment of a branch in a "contiguous" or "adjacent" community or the entering upon a common "class of business".

REVISED REGULATION R

With Reference to Relationships with Dealers in Securities, Effective January 4, 1936.

Section 32 of the Banking Act of 1933, as amended by section 307 of the Banking Act of 1935, prohibits generally interlocking personnel between a member bank and a dealer in securities. This does not apply to a "broker who is engaged solely in executing orders for the purchase and sale of securities on behalf of others in the open market".

Although under section 32 as amended individual permits are not authorized, a director, officer or employee of a member bank may serve as a dealer in securities or as partner in such business or as director, officer or employee of such dealer "in limited classes of cases in which the Board of Governors of the Federal Reserve System may allow such service by *general regulations* when in the judgment of the said Board it would not unduly influence the investment policies of such member bank or the advice it gives its customers regarding investments".

The sole exception permitted by the Board of Governors under such authority is where the securities dealer confines his business to Government obligations, obligations fully guaranteed by the Government, Federal intermediate credit bank debentures, Federal land bank bonds, and general obligations of territories, dependencies and insular possessions of the United States.

"Interest" Definition Deferred

The effective date of the definition of "interest" in section 1 (f) of Revised Regulation Q, of special importance in connection with the absorption by member banks of out-of-pocket expenses relating to demand deposits, has been deferred by the Board of Governors "pending action by the Federal Deposit Insurance Corporation on its regulations relating to the payment of interest on deposits by insured non-member banks". Section 1 (f) is quoted in large part on page 40 of "Banking" for January.

Bankers need insurance to protect their investment in bank-owned property; in mortgages; in loans to industry and business; and to safeguard estates in the hands of their trust departments. As a banker you may be technically equipped to purchase the proper types of insurance in adequate amounts; but whether you are so equipped or not, the expert services, commanded by the representatives of this company, are at your disposal if you wish to check your insurance protection.

EQUITABLE
Fire and Marine Insurance Company
of
Providence, R. I.

Cash Capital	$1,000,000.00
Net Surplus	3,832,750.70
Assets	6,031,368.30

CONDENSED STATEMENT OF THE CONDITION OF

The First National Bank of Memphis

MEMPHIS, TENNESSEE

At the Close of Business December 31, 1935

RESOURCES

Cash and Due from Banks		$19,155,801.27
United States Government Obligations Direct and/or Fully Guaranteed	$6,260,595.34	
State, County and Municipal Bonds	5,551,780.72	
Other Bonds	578,023.43	
Other Securities	13.00	
		12,390,412.49
Stock in Federal Reserve Bank		60,000.00
Loans and Discounts		8,420,987.43
Overdrafts		3,447.02
Banking House		1,370,000.00
Other Real Estate		99,648.36
Other Assets		31,798.59
TOTAL		$41,532,095.16

LIABILITIES

Capital Stock	$1,000,000.00	
Surplus	1,000,000.00	
Undivided Profits	501,664.21	
Reserve to Retire Premium on Bonds Bought for Investment	241,404.50	
Other Reserves Unallocated	175,000.00	
		$2,918,068.71
Unearned Discount		99,776.40
Dividend Payable January 1, 1936		30,000.00
Deposits: Corporations, Firms, Individuals, Banks	$38,473,828.91	
Public Funds (U. S. Government)	10,421.14	38,484,250.05
TOTAL		$41,532,095.16

National Bank Charter No. 336
Member Federal Deposit Insurance Corporation

Statement of Condition as of December 31, 1935

RESOURCES

Loans and Discounts	$12,769,239.92
Overdrafts	1,428.29
U. S. Government Obligations	7,857,311.82
State and Municipal Bonds	4,427,736.09
Other Bonds and Investments	3,521,747.34
Banking House	999,000.00
Furniture and Fixtures	1.00
Customers Liability under Letters of Credit	18,250.00
Interest Earned but Not Collected	100,604.62
Cash on Hand and Due from Federal Reserve Bank and Other Correspondent Banks	15,985,374.52
TOTAL	$45,680,693.60

LIABILITIES

Common Stock	$ 1,250,000.00
Preferred Stock	1,100,000.00
Surplus	250,000.00
Undivided Profits	299,289.87
Reserve for Contingencies	81,371.03
Reserve for Taxes, Interest, Etc.	116,313.91
Reserve for Preferred Stock Dividend	19,250.00
Customers Letters of Credit	18,250.00
Interest Collected but Not Earned	55,440.44
Deposits	42,490,778.35
TOTAL	$45,680,693.60

The Omaha National Bank

Farnam at 17th St.

Member Federal Deposit Insurance Corporation

Unlisted Securities

APPROVAL of the report made to Congress by the Securities and Exchange Commission on trading in unlisted securities upon exchanges was expressed in a statement by Benjamin Howell Griswold, of Baltimore, chairman of the Investment Bankers conference committee.

"The report," said Mr. Griswold, "to my mind gives every evidence of a most careful and exhaustive study of the questions involved, and the conclusions reached seem to me to be not only thoroughly sound but show a high degree of foresight."

The Commission recommended an indefinite extension, beyond June 1 next, of unlisted trading privileges on national securities markets while it worked out a way to obtain information for investors from issuers who are not now registered under the provisions of the Securities Act of 1934.

MANY-ANGLED PROBLEM

"THE Commission," said Mr. Griswold, "has not determined whether or not unlisted trading is wise or unwise. It simply has refused to perform a capital operation at the present time." He believed the report recognized fully the various phases of "the whole problem of financing the needs of the country, not merely one angle of it", proposing to request authority to work them out carefully and reasonably.

"I say the problem as a whole," he continued, "because experienced men in the investment field today realize that for the past five or six years the financial machinery set up for the handling of long term securities has been 'servicing' rather than 'producing'.

BILLIONS NEEDED

"WHAT we might call productive long term investment requires on an average in the United States about $5,000,000,000 a year. This has been negligible in the past five or six years. . . . The fact remains that if the United States is not to stand still . . . there will be need of many billions of dollars of capital for constructive purposes, and there will be need of all the machinery we now have, not merely to gather that capital together, but service it at the same time that we are servicing the refinancing of our outstanding obligations and the

trading in outstanding securities. All of these functions must be exercised, and will be exercised if the financial machinery is to meet the existing needs of the country. We shall need the dealers, the brokers, the sellers, the originators, and synchronization of the whole of the machinery to promote the public interest.

"Under such circumstances, it would be a great mistake, certainly without further study, to begin experiments with existing machinery, placing upon one part of the machinery perhaps a greater load than it can bear.

TWO VIEWPOINTS

"I CAN well believe that many of the security dealers and traders, feeling as they do that the present system of unlisted trading is wrong, also feel that it should be immediately abolished and the great volume of unlisted securities turned over to the over-the-counter business.

"On the other hand, I can understand that the broker, who sees the expediency and facilities of an exchange, would strongly urge that all the vast volume of over-the-counter business should be directed through the small funnel of stock and bond exchanges.

"The one fundamental viewpoint from the standpoint of not only the country, but the good of the business as a whole, is that the machinery now set up must be ready to care for not only the current demands and needs of security holders, but must be ready to play its part in the long-delayed recovery in the capital issues market.

FURTHER TIME REQUIRED

"THE Securities and Exchange Commission has appreciated this fact, has seen the problem as a whole and has offered a constructive program apparently declining to take any radical action which may interfere with this recovery. The commission suggests that it requires further time not merely for the study of the problem in its parts but for wise action with relation to the problem as a whole."

Mr. Griswold said his statement was an expression of his personal opinion, and "not that of the conference committee nor the 2,000 houses composing our membership."

Massachusetts Investors Trust

ESTABLISHED 1924

PROSPECTUS ON REQUEST

MASSACHUSETTS DISTRIBUTORS, INC.

General Distributors

85 DEVONSHIRE STREET, BOSTON

NEW YORK CHICAGO LOS ANGELES

The National Bank of Commerce
OF HOUSTON

Condensed Statement of Condition, as Reported to the Comptroller of the Currency at the Close of Business December 31, 1935

RESOURCES		
Cash and U. S. Government Securities...		$24,048,522.78
Securities:		
Other Bonds and Securities.....	$4,283,804.51	
Federal Reserve Bank Stock.....	165,000.00	4,448,804.51
Loans and Discounts:		
Time.....	4,437,891.33	
Demand.....	1,819,112.55	6,257,003.88
Banking House — Equity.....	1,764,731.00	
Other Real Estate.....	224,517.31	
Furniture and Fixtures.....	1.00	1,989,249.31
Other Assets.....	40,151.62	
Interest Earned — Not Collected.....	87,315.34	127,466.96
Total Resources.....		$36,871,047.44
LIABILITIES		
Capital Stock:		
Common.....	$1,000,000.00	
Preferred.....	2,500,000.00	$ 3,500,000.00
Surplus.....		2,000,000.00
Undivided Profits.....	225,287.16	
Reserved for Dividends.....	186,458.30	
Reserved for Other Purposes.....	814,909.18	1,226,654.64
Deposits:		
Individuals.....	23,525,185.15	
Banks.....	5,672,473.60	
United States.....	670,349.28	
Trust Funds.....	276,384.77	30,144,392.80
Total Liabilities, Capital and Surplus....		$36,871,047.44

Member Federal Deposit Insurance Corporation



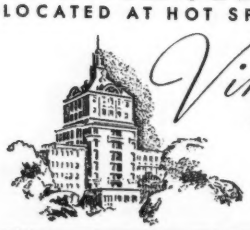
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New Books

MONEY. By Edwin Walter Kemmerer. Macmillan, 1935. 406 pages. $3.50.

This book by the distinguished Walker professor of international finance at Princeton University presents, as its subtitle sets forth, "the principles of money and their exemplification in outstanding chapters of monetary history." It is the first of two volumes, the second being in course of preparation.

The present volume is chiefly concerned with money, whereas its forthcoming companion is to deal chiefly with banking, concluding, Dr. Kemmerer says, with chapters on "our present-day problems in which the monetary and banking aspects are considered in their intimate interrelationships."

Volume I is divided into four parts: a presentation of elementary facts and principles relating to money, an exposition of monetary standards, foreign exchange, and interesting historical discussions, which represent the "case" method of applied theory. In this section Dr. Kemmerer devotes chapters to the French assignats, England's paper money from 1797 to 1821, our own greenback period from 1862 to 1878, the German inflation, French and American bimetallism, and the silver controversy in the United States from 1873 to 1900 when the Gold Standard Act was passed. The 1933–35 silver legislation and its results, which are tied up with the currency and banking problems of the depression, will be discussed in Volume II "as a phase of our current monetary problems."

The historical material is used effectively. By concentrating on a few unusually important chapters of monetary history, Dr. Kemmerer has had space to bring out, in some detail, causes and effects of monetary events and theories in the periods selected.

Charts, tables and bibliographies supplement the text. The work has developed from lectures on money and banking given by Professor Kemmerer before college classes during an interval of 30 years.

THE ANALYSIS OF FINANCIAL STATEMENTS. By Harry G. Guthmann. Prentice-Hall, Inc., New York, 1935. 584 pages. $5.

This is a revised edition of a book first published in 1925 when the general subject matter was possibly of less general interest than it became during the depression. Dr. Guthmann, who is associate professor of economics at Northwestern University and also a C.P.A., points out in his preface that since the first edition appeared there has been a substantial enrichment of the literature on statement analysis, that the "average quality of published reports has measurably improved", and that "there is a promise of more and better information."

"The disillusionment following the crash of 1929 bodes ill for corporation managers who are willing to use other people's money but feel superior to making any adequate accounting of their trusteeship," says the author. "But the mere availability of information means little unless the ability to interpret is also present; so it appears that an appreciation of the meaning of the accountant's product will be increasingly important."

The text is divided into two main parts, first, the general principles of analysis, and second, consideration of particular types of statements under three groups: public utilities, industrials and moneyed corporations, the latter including banks, insurance companies and holding companies.

In his chapter on bank statements Dr. Guthmann says that aside from banking's general background as a reflector of business conditions, "the analyst will need to watch two external factors that are likely to have major influences upon bank earnings", namely, the Federal Government's monetary policy and "the so-called insurance of bank deposits by the Federal Deposit Insurance Fund" ("so-called", explains a footnote, "because it fails to allow for differences in strength among banks, taxing all alike.")

As for the first factor, the author reminds that the easing of credit in its early stages, "whether through Federal Reserve bank operations or through issues of money, lowers interest rates and so bank earnings. Later, speculative activity growing from inflation often pushes interest rates to unusual heights and depresses the prices of long-term high-grade bonds."

With regard to deposit insurance, Dr. Guthmann comments as follows:

"Should the scheme continue in force and prove as expensive as the operation of state guaranty funds, which have been tried and found impractical in eight states, strong institutions might even find it profitable to take the extreme step of leaving the Federal Re-

serve System. Aside from the tremendous cost, bankers have generally considered deposit guarantee as unsound for this country because (1) banks are forced to contribute equally without regard to whether they are conservatively or loosely managed, i.e., without regard to the risk they impose on the fund; (2) poor banking is encouraged, for artificially protected depositors do not discriminate against weak institutions; (3) the plan has never succeeded although adopted in nine states (eight since 1908); and (4) no method has been devised for preventing bank failures from occurring in the future as they have occurred in the past.

"The chief reasons for the hope that the cost of Federal deposit insurance will not prove so excessive as in the case of state guaranty funds are: (1) the inclusion of a higher proportion of large, strong banks, because (a) the state banks typically included a high proportion of small units with high mortality that had been unable to meet the minimum capital requirement or other standards of the national system, and (b) the large state banks could always escape to the national system without odium; (2) the avoidance of concentration in unfavorable territory (most of the state funds were located in agricultural states during a depressed period); and (3) the formation of the Federal fund after an unusually severe depression had swept away large numbers of weaker institutions."

FEDERAL INCOME TAX HANDBOOK FOR 1935-36. By Robert H. Montgomery. Ronald Press, 1935. 1034 pages. $10.
FEDERAL TAXES ON ESTATES, TRUSTS AND GIFTS, 1935-36. By Robert H. Montgomery and Roswell Magill. Ronald Press, 1935. 458 pages. $5.

These two complementary volumes present a vast amount of information on a subject which seems to be growing more and more complicated.

The Handbook covers the application of corporation and individual income taxes, the capital stock levy, and the excess profits tax, presenting legal requirements and accounting procedure. It analyzes the effect of the revenue acts of 1934 and 1935 on the preparation of returns, decisions on financial and accounting policies, and the handling of individual transactions to keep taxes to a minimum.

In his preface Mr. Montgomery expresses some opinions about Congress and about taxation. The Federal income tax, he says, is "grossly unfair; it violates the fundamentals of scientific taxation; it taxes gross income and capital as well as net income; parts of it are unconstitutional; it is permeated with sock-the-rich stuff which is out of place in a tax law; it is harshly administered."

"Tax avoidance," he declares, "is not a crime; it is not a misdemeanor; it is not even reprehensible. On the contrary, anything and everything within the law to mimimize the tax is proper and legal and as one Federal judge said it is merely doing one's duty to one's family. Furthermore, it is the only effective way most of us have of registering our opposition to extravagance in governmental expenditures." Despite "dire threats of what will happen to those of us who do so, I shall continue," says the author, "to point out methods whereby taxes may be lessened and avoided. I have as much contempt for tax evasion as anyone in Washington and I know full well the distinction between avoidance and evasion. There are no helps in this book to tax evasion."

The book on estate, trust and gift taxes follows the plan of its companion volume, combining legal and accounting viewpoints, interpreting the law, decisions and rulings into "plain statements of advice and procedure."



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The Lending Powers of Building and Loan Associations

A Digest of State Laws

ALABAMA

BUILDING and loan associations shall loan to members only. Such loans must be secured by first mortgage on real estate or by pledge of the association's shares. The association may provide by its by-laws different rates of interest and premiums on different classes of loans, not to exceed 8 per cent per annum, and charge reasonable fees and charges in connection therewith. § 7111 (9), 1932 Supp. to Alabama Code of 1928, as amended by H.B. 336, approved July 8, 1935.

ARIZONA

The by-laws of a building and loan association shall prescribe the methods of making loans and the amount of premiums to be paid therefor and the rate of interest thereon. § 616, Arizona Rev. Code, 1928. Any association may make loans to members secured by first mortgage on real estate, improved or to be improved, and may loan upon security of its shares to an amount not in excess of 90 per cent of their withdrawal value. § 618, Arizona Rev. Code, 1928. Any premium taken for a loan, or fine imposed for nonpayment of dues, shall be considered as interest and are excepted from the usury laws. § 619, Arizona Rev. Code, 1928. No association shall assess any fines for nonpayment of monthly dues in excess of 5 cents per $100 share for each month the same is in arrears. § 620, Arizona Rev. Code, 1928.

ARKANSAS

Building and loan associations may loan to members on security of first mortgage on improved real estate accompanied by pledge of the association shares or may loan, to the amount of the withdrawal value of its shares, on the security of such shares alone. They may loan funds, not required to meet demands of members, to nonmembers on such security as board of directors may approve but aggregate of such loans may not exceed 15 per cent of assets of association. ¶ 750k, Castle's Annotated Supp. to Arkansas Statutes, 1931.

CALIFORNIA

Building and loan associations may make loans secured by mortgage upon real estate or by pledge of the shares of the association or on certain bond collateral. § 9.07, Act 986, 1933 Supp. to Deering, Gen. Laws of California, 1931.

An amortized loan is one which provides for equal instalments of principal or principal and interest to be paid at least semiannually and to commence not later than one year after the date of the loan. Such instalments must be of a sufficient amount so that if continued for regular intervals they would result in paying the entire principal and interest in not more than fifteen years. The Building and Loan Commissioner may extend such maximum term if the loan is secured by particular classes of securities, prescribed by him.

A loan which does not provide for payment of instalments commencing not later than one year from the date of the loan is not to be considered an amortized loan; and no loan shall be made which does not provide for payment or payments on account not later than three years from the date of such loan. Loans which provide for instalments to commence later than one year from the date of the loan may be classified as amortized loans during the period that instalments are paid or are to be paid. § 9.09, Act 986, 1933 Supp. to Deering, Gen. Laws of California, 1931.

Loans secured by mortgage on improved real estate may be made not to exceed 60 per cent of the appraised value of such real estate; or, if amortized, 70 per cent of such appraised value; or, if improved by a single family dwelling house, a loan, repayable in monthly instalments, in a principal sum not exceeding $6,000, may be made not to exceed 80 per cent of such appraised value. § 9.10, Act 986, 1933 Supp. to Deering, Gen. Laws of California, 1931.

Loans upon shares or investment certificates may not be made for more than 90 per cent of the then value of such shares or certificates. Such loans are repayable at any time without the payment of any premiums or bonus interest. § 9.11, 1933 Supp. Deering, Gen. Laws of California, 1931.

Loans may be made secured by pledge of notes or other obligations, similar to those which the association is authorized to make or by pledge of securities in which the association is authorized to invest. § 9.12, 1933 Supp. Deering, Gen. Laws of California, 1931.

Any default in payment of dues on pledged shares, or of interest, or otherwise, will accelerate the due date of the loan and the withdrawal value of the pledged shares are applied to the payment of the loan. § 9.13, 1933 Supp. Deering, Gen. Laws of California, 1931.

No association can make a loan other than an amortized loan unless at least 90 per cent of the unpaid principal of its loans then in force are amortized loans and, unless 80 per cent of the unpaid principal of such loans is payable in monthly instalments, no loan can be made unless it also provides for monthly payments. § 9.14, 1933 Supp. Deering, Gen. Laws of California, 1931.

COLORADO

A building and loan association is authorized to collect from its shareholders such instalment dues, fines and interest on loans as its by-laws may provide; to loan its funds to members on security of first mortgages on improved real estate or by pledge of its shares; to make such loans upon such plan of repayment as its by-laws may provide; no fines, or interest that may accrue is to be deemed usurious. § 11

(9), (13), (15), (16), (17), Chapt. 47, Session Laws of Colorado, 1933.

CONNECTICUT

A building and loan association is authorized to collect from members such fees, dues, fines, interest and premiums on loans, as may be provided in its by-laws but such fees, dues, fines or premiums are not to be deemed usury although in excess of the legal rate of interest and such fines for default shall be two cents each month (but not exceeding six months) for each dollar in arrears; to make loans to members on security of first mortgage on Connecticut real estate to an amount not exceeding 80 per cent of the appraised value thereof, or on its own shares. § 4017, Connecticut General Statutes, Rev. of 1930.

DELAWARE

The funds of a building and loan association may be loaned to its stockholders and others upon real estate mortgages and upon such other sufficient security, including shares of its own stock, as the board of directors may authorize. All premiums and fines charged in connection with such loans shall be uniform in respect to all stockholders of and borrowers from the association. § 5, Chapt. 107, Laws of Delaware, 1921.

Premiums are a sum paid by the borrower over and above the legal rate of interest for any loan. Fines are a penalty for the non-payment of dues and interest when due. § 3, Chapt. 107, Laws of Delaware, 1921.

An association is authorized to collect premiums and fines within the statutory limits. Fines shall not be collected from a shareholder for more than six consecutive months at a greater rate than five cents per month for each dollar past due and after the expiration of six months at a greater rate than one-half of 1 per cent per month for each dollar past due. § 4, Chapt. 107, Laws of Delaware, 1921.

DISTRICT OF COLUMBIA

A building and loan association is authorized to lend its funds to such of its shareholders as bid the highest premium therefor. Such premium consists of a percentage of the amount of the loan and is deemed a bonus paid for the use of the sum advanced and is not to be deemed usurious. Such premium may be deducted in advance or be payable in monthly instalments in addition to legal interest as the by-laws may provide. § 46, Title 5, District of Columbia Code, 1929.

Loans are made on security of first mortgage on real estate and pledge of the association's shares. The mortgage must be conditioned on the payment of all dues on the pledged shares, interest upon the loan, instalments of premium, if so payable, and all fines chargeable on arrears of payments. § 47, Title 5, District of Columbia Code, 1929.

A borrower may repay his loan in advance, in which case all dues, interest and fines and instalments of premium are added to the amount advanced and are charged against him, and he is credited with the then withdrawal value of his pledged shares. If the premium has been deducted in advance, he is also credited with such proportion as the by-laws may direct. § 51, Title 5, District of Columbia Code, 1929.

FLORIDA

Any payments, credits, dividends or earning on shares of stock of a building and loan association pledged with it to secure a loan may be credited upon such loan, or the interest thereon or to any charges, costs or expenses which may accrue under the terms of the pledge and the time of reducing the principal because of such credit for the purpose of calculating interest thereon shall be fixed by the by-laws or by resolution of the board of directors. § 6183 (1), 1934 Cumulative Supp. to Gen. Laws of Florida, 1927.

Any association is authorized to loan its funds to stockholders secured by first mortgage on Florida real estate or to loan upon pledge of its shares not to exceed 80 per cent of the then withdrawal value of such shares. The manner of awarding loans, the rate of interest and the premiums to be charged and the time and manner in which the interest and premium shall be paid shall be prescribed in the by-laws. § 6183 (2), 1934 Cumulative Supp. to Gen. Laws of Florida, 1927.

The by-laws may provide for fines for nonpayment of dues, premiums or interest, not to exceed five cents per share for each weekly delinquency or ten cents a share for each monthly delinquency. No other charges may be collected from members than loan fees, dues on stock, premiums, interest and fines, and such charges shall not be deemed usurious even though they may exceed the legal rate of interest. § 6167, Gen. Laws of Florida, 1927.

GEORGIA

Building and loan associations are authorized to make loans to nonmembers at the rate of 8 per cent or less, aggregating the principal and interest for the entire period of loans and dividing such aggregate sum into monthly or other instalments and to take security by mortgage on real estate in the county in which the association is located.

Any such association may make loans also for periods of one year or less secured by personal indorsements or by pledge of its shares, fully paid or payable in instalments, or by other personal security or choses in action, and to deduct interest in advance not to exceed 8 per cent discount, and the instalment payments on the pledged shares or other securities shall not be deemed usurious. 16–101, Georgia Code, 1933.

Fines, interest or premiums paid on loans in any building and loan association are not to be deemed usurious. 16–201, Georgia Code, 1933. Note: This section applies to so-called "interstate" building and loan associations, i.e., those which do not restrict their business to the county in which they are located and two or less other adjacent counties.

IDAHO

Land and building corporations may make loans, secured by improved real property, to their members. 29–1303, Idaho Code, Ann. 1932.

The by-laws of such a corporation must specify the amounts, time and manner of periodical subscriptions or payments to be made by its members; the fines and forfeitures for default; and the terms and conditions upon which loans may be made to its members. 29–1306, Idaho Code, Ann. 1932.

ILLINOIS

Unless specifically prohibited by the by-laws of the association, borrowers may be permitted to repay their loans by a direct monthly reduction of principal method. An agreement shall be entered into by the borrower which shall stipulate for monthly payments until the principal sum, advances for taxes, assessments, insurance premiums, made by the asso-

ciation, and other authorized charges, with interest or interest and premiums, computed monthly, have been fully paid. The plan may provide for the monthly computation of interest or interest and premium on the preceding monthly balance which interest or interest and premium together with accrued advances and charges shall be added to such balance and then deducting any payments made by the borrower during the current month. All payments by the borrower on such loan shall be applied first to accrued interest or interest and premium. The board of directors may adopt any other direct monthly reduction of principal plan which provides for complete repayment of the loan. § 15, H.B. 939, Laws of 1935, p. 580.

Any association may impose a penalty for the nonpayment of dues, interest, or premium, which shall not exceed 10 cents per share per month and may not be compounded or cumulated. ¶391, Chapt. 32, Cahill Illinois Revised Statutes, 1933.

Loans may be made to members who bid the highest premium therefor or at a rate of interest or interest and premiums fixed by the board of directors. The premium may be deducted from the loan in one amount or may be paid in proportionate instalments as designated in the by-laws. Loans shall be secured by good real estate security. Loans may also be made on security of shares of the association not to exceed the withdrawal value of such shares. § 19, H.B. 939, Laws of 1935, p. 580.

If a loan is repaid before the end of the eighth year after the date of the issue of the stock pledged to secure such loan, there shall be refunded to the borrower one-eighth of the premium paid for every year of said eight years then unexpired when such premium has been deducted in advance. ¶396, Chapt. 32, Cahill Illinois Revised Statutes, 1933.

No interest, fines, premiums, nor interest on such premiums that may accrue according to the provisions of this act shall be deemed usurious. ¶ 397, Chapt. 32, Cahill Illinois Revised Statutes, 1933.

INDIANA

Building and loan associations are authorized to lend to their members and to charge and collect loan fees and premiums on loans made, to impose fines and additional interest for defaults by members in payment of dues, interest and other agreed charges. 18–2102, Burns Indiana Statutes, Ann. 1933.

The by-laws may provide the manner of making loans to members, the security to be taken therefor and the rate or rates of interest, not exceeding the legal contract rate, to be charged thereon and the terms and conditions of repayment; the fines and additional rates of interest for defaults in payment of dues, interest, premiums or other charges. 18–2107, Burns Indiana Statutes, Ann. 1933.

Premiums or loan fees may be charged in addition to legal contract rate of interest but shall not exceed 2 per cent of amount of loan and shall not be deemed usurious. Such premiums or fees may be payable at one time or in such instalments as the by-laws may provide. 18–2117, Burns Indiana Statutes, Ann. 1933.

Fines shall not exceed 10 per cent of the amount of delinquent payments and shall not be charged more than once for such delinquency. 18–2118, Burns Indiana Statutes, Ann. 1933.

Borrowers may be required to pay all expenses incurred in connection with making any loan, including appraisal, attorney's, abstract and recording fees. 18–2121, Burns Indiana Statutes, Ann. 1933.

Loans may be made to members on security of first mortgage on Indiana real estate or outside of state if within 50 miles of association's office and by pledge of association's shares having par value equal to loan or on security by pledge of association shares, having a withdrawal value at least 10 per cent in excess of amount of loan. 18–2123, Burns Indiana Statutes, Ann. 1933.

The amount loaned on real estate security must not exceed 60 per cent of the value thereof unless further secured by securities in which the association is authorized to invest. 18–2125, Burns Indiana Statutes, Ann. 1933.

IOWA

Building and loan associations are prohibited from charging a premium or interest on loans at a greater rate than 8 per cent. § 9314, Code of Iowa, 1931.

Associations are authorized to make loans to members only on real estate security, or on security of their own shares of stock not to exceed 90 per cent of the withdrawal value thereof and otherwise on such terms and conditions as their articles of incorporation and by-laws provide; to collect from members dues, membership fees, fines, premiums and interest on loans as have been provided for in their articles of association or by-laws and the same shall not be held usurious. § 9329, Code of Iowa, 1931.

Fines shall not exceed three cents a share for the first month's and five cents per share for each succeeding month's delinquency, but shall be payable only from the profits due the delinquent. § 9351, Code of Iowa, 1931.

KANSAS

Building and loan associations may loan to members any amount not exceeding the ultimate value of their shares either to such as bid the highest premiums therefor, which premiums may be deducted in advance or may be payable in such instalments as by-laws provide; or instead of a premium the by-laws may provide that bids for loans shall be a stated rate of interest payable in periodical instalments; or bids may be dispensed with and loans made at a rate of interest fixed in the by-laws. 17–1007, Revised Statutes of Kansas, 1923.

Premiums shall be a percentage per annum on amount loaned, and are charged in addition to interest as a bonus for the use of the money advanced. 17–1008, Revised Statutes of Kansas, 1923.

The total sum received as premiums, fines and interest shall not exceed 10 per cent per annum on the amount loaned. 17–1009, Revised Statutes of Kansas, 1923.

Loans shall be secured by first mortgage on real estate and by pledge of association's stock, or by pledge of association's stock, without other security, to an amount not exceeding 90 per cent of the withdrawal value of such shares. 17–1011, Revised Statutes of Kansas, 1923.

A member may repay his loan in advance and, if a premium was deducted at the time of making the loan, a credit must be made on the loan of one-one hundred and twentieth part of the premium for each month by which the borrower's shares pledged for the loan lacks of being one hundred and twenty months old. 17–1014, 1930 Supp. to Revised Statutes of Kansas, 1923.

The total amount of fines for non-payment of dues shall not exceed the dividends accrued on the shares of the delinquent. 17–1017, Revised Statutes of Kansas, 1923.

KENTUCKY

Building and loan associations may make loans to mem-

bers as provided in their by-laws. § 865, Carroll's Kentucky Statutes, Revision of 1930.

Loans shall be made either secured by first mortgage on real estate and pledge of borrower's shares, such mortgage to be conditioned upon payment in full of dues, interest and premium, and fines, or by pledge of such shares without other security to an amount not exceeding 80 per cent of their withdrawal value. § 865a, Carroll's Kentucky Statutes, Revision of 1930.

Fines for default in payment of dues, interest or other charges may be charged but not in excess of 10 cents per month on each share in arrears and an additional 10 cents per $100 or part thereof on account of failure to pay interest. No fine may be charged on any default for more than six months. § 867, Carroll's Kentucky Statutes, Revision of 1930.

LOUISIANA

A building and loan association is authorized to make loans on own shares or real estate to members and to collect from members fees, dues, fines, interest, premiums and other charges, and the same shall not be held usurious, all in accordance with the terms and conditions provided for in its act of incorporation and its by-laws. § 8, Act No. 140, Acts of Louisiana, 1932.

Real estate loans must be secured by first mortgage upon property situated in the parish in which the association is located and certain other specific parishes and by pledge of the shares of the borrower. § 50, Act No. 140, Acts of Louisiana, 1932.

MAINE

A building and loan association may loan to members at a rate of monthly premium not in excess of 40 cents a share, or instead of interest and premium, at an annual interest rate not less than 5 per cent nor more than 8 per cent payable in monthly instalments. Loans of $200 or $300 or a portion thereof for each share held by a member may be made to him on giving security satisfactory to the directors or loans secured by real estate mortgage may be made, which shall provide for payment in full in monthly instalments in not less than 5 years nor more than 20 years. Payments must first be applied on interest on unpaid balances and the remainder on unpaid principal. Chapt. 43, Laws of Maine, 1935.

Premiums are a bonus charged in addition to interest for the use of the money advanced. § 109, Chapt. 57, Revised Statutes of Maine, 1930.

Unless otherwise provided in the by-laws, a borrower shall pay monthly interest, in addition to the monthly premiums, if any, at a rate not less than 5 per cent per annum nor more than 6 per cent per annum. Chapt. 31, Laws of Maine, 1933.

Fines may be charged for default in payment of dues, interest and premiums, not to exceed 2 cents a month on each dollar in arrears but not for longer than 6 months after default first occurred. § 113, Chapt. 57, Revised Statutes of Maine, 1930.

MARYLAND

Building and loan associations are authorized to enforce payment of instalments and other dues due it from members by such fines and forfeitures as it may provide in its by-laws. § 162, Ann. Code of Maryland.

Loans may be made to members, for such premium as may be agreed upon, together with interest at 6 per cent per annum, of amounts equal to the ultimate value of the member's shares. Fines and penalties as prescribed in the by-laws may be imposed for nonpayment of interest and premium. § 164, Ann. Code of Maryland.

Loans shall be made on security of real estate mortgage, or on security by pledge of the borrower's stock in an amount not in excess of the amount paid in on such stock. § 165, 1935 Supp., Ann. Code of Maryland.

MASSACHUSETTS

Cooperative banks conduct the same business as building and loan associations in other states.

The by-laws shall provide for the method of loaning funds of the bank and the rate of fines to be charged on delinquent payments. § 6 (g), (k), Chapt. 170, 1935 Cumulative Supp., Ann. Laws of Massachusetts.

Loans may be made to qualified applicants, at a rate of interest not less than 5 per cent per annum, payable in monthly instalments upon the amount loaned. § 23, Chapt. 170, 1935 Cumulative Supp., Ann. Laws of Massachusetts.

Loans shall be secured by first mortgage on Massachusetts real estate or secured by shares of the corporation. § 25, Chapt. 170, 1935 Cumulative Supp., Ann. Laws of Massachusetts.

Loans on real estate security may not exceed $8,000 and not more than 80 per cent of the appraised value of the property. Such loans may provide for payment in full in monthly instalments and may be for not less than five years nor more than twenty years. Interest on such loans shall be computed monthly on unpaid balances and payments shall first be applied to interest. Unamortized loans must be secured in addition by pledge of borrower's shares. §§ 26A, 27, Chapt. 170, 1935 Cumulative Supp. Ann., Laws of Massachusetts.

Loans may be made on shares of corporation without additional security not exceeding 90 per cent of the withdrawal value thereof. § 29, Chapt. 170, 1935 Cumulative Supp., Ann. Laws of Massachusetts.

Fines for default in payment of dues and interest shall not exceed 2 per cent a month on each dollar in arrears and shall not be charged for more than 6 months following first default. § 41, Chapt. 170, 1935 Cumulative Supp., Ann. Laws of Massachusetts.

MICHIGAN

Building and loan associations may lend to members on security of first mortgage on real estate and pledge of shares of association. Such loans shall not be for more than two-thirds the value of the real estate security or 80 per cent of the value thereof if insured under the National Housing Act. Loans may be made on security of pledge of shares of association not to exceed 90 per cent of withdrawal value of shares. § 12141, Public Acts of Michigan, 1935, p. 184.

Fines which may accrue to the association shall not be deemed usurious. § 12144, Compiled Laws of Michigan, 1929.

Fines for nonpayment of dues or interest shall not exceed 1 per cent per month on each dollar in arrears. § 12156, Compiled Laws of Michigan, 1929.

MINNESOTA

Loans of building and loan associations shall be secured by first mortgage and pledge of borrower's shares, or secured by pledge of borrower's shares, without other security, to an amount not exceeding 90 per cent of their withdrawal value. § 7750, Mason's Minnesota Statutes, 1927.

Loans may be made to members. § 7751, Mason's Minnesota Statutes, 1927.

Premiums for loans shall not be treated as interest nor be deemed usurious. § 7754, Mason's Minnesota Statutes, 1927.

MISSISSIPPI

Building and loan associations may make loans to members at a rate of interest not to exceed 10 per cent per annum; and to nonmembers at the same rate, payable in equal monthly instalments, over a period of not less than three years. § 3986, Mississippi Code, Ann. 1930.

MISSOURI

Building and loan association may lend its funds to members, either to those who bid the highest premium or a stated rate of interest for full period of loan, payable in monthly instalments, whichever method the by-laws provide, or may dispense with bids and loan at such rate of interest or interest and premium, or interest and loan fee, as may be fixed by action of its board. Premiums may be paid in full or in such instalments as by-laws provide. § 5594, 1934 Supp. to Revised Statutes of Missouri 1929.

Premiums or loan fee consist of a percentage on amount loaned and are in addition to interest. They constitute a bonus for the use of the money advanced. § 5595, 1934 Supp. to Revised Statutes of Missouri, 1929.

Premiums, loan fees, fines or interest, or interest on such premiums shall not be deemed usurious unless the same is unreasonable and extortionate and in its spirit usurious and oppressive. § 5596, 1934 Supp. to Revised Statutes of Missouri, 1929.

Loans shall be secured by first mortgage on real estate, together with transfer of borrower's shares. Loans secured by such shares, without other security, may be made to an amount not exceeding 90 per cent of the withdrawal value thereof. § 5597, 1934 Supp. to Revised Statutes of Missouri, 1929.

Borrower may repay loan in advance in which case, if a premium has been deducted at time loan was made, one-one hundred and twentieth part thereof shall be credited on the loan for each month by which the shares pledged lack being one hundred and twenty months old. § 5601, 1934 Supp. to Revised Statutes of Missouri, 1929.

The by-laws may provide for fines to be paid in case of default in payment of dues and premiums. § 5605, 1934 Supp. to Revised Statutes of Missouri, 1929.

MONTANA

Building and loan associations are authorized to collect from members dues on stock and interest on loans as provided in constitution and by-laws. The total of interest, commissions, bonus, discount or similar charges less a proper deduction for all dividends, refunds and cash credits of all kinds, shall not create an actual net cost to the borrower in excess of the legal contract rate. No association shall charge or collect from any member or borrower, any fines, premiums or penalties of any kind whatsoever. Such associations are authorized to make loans to members on security of shares of association and also secured by first mortgages on improved real estate. § 12 (7), (13), Chapt. 11, Laws of Montana, 1933.

NEBRASKA

Building and loan associations may make loans to their members to the amount of the ultimate value of their shares which shall be pledged as security for the loan and ample real estate security. Loans may also be made on the borrower's shares, without other security, to the amount of the withdrawal value thereof. 8–309, 1935 Cumulative Supp. to Compiled Statutes of Nebraska, 1929.

Fees, dues, interest, premiums and other payments contracted for or required by its constitution or by-laws shall not exceed in the aggregate the legal contract rate, and any excess over such legal rate will make the loan usurious. 8–315, 1935 Cumulative Supp. to Compiled Statutes of Nebraska, 1929.

NEVADA

§954 Nevada Compiled Laws, 1929, which set forth the powers of building and loan associations, contained specific provisions relating to the making of loans and the charging of fees, dues, premiums and fines. This section, however, was repealed (Statutes 1931, 63, 74) so that at present time no specific provision is made but they are now subject generally to regulations by the state bank examiner. §970, 1934 Supp. to Nevada Compiled Laws, 1929.

NEW HAMPSHIRE

Building and loan associations shall loan to those of its shareholders who will pay the highest premium therefor above the established interest rate, and will give satisfactory security therefor, including a pledge of shares of the association of the same amount as the loan. §9, Chapt. 266, Public Laws of New Hampshire, 1926.

Any surplus not taken by shareholders may be loaned to others upon mortgage on improved real estate of a value of at least 50 per cent in excess of the loan or upon other equally good security. §10, Chapt. 266, Public Laws of New Hampshire, 1926.

Fines may be charged for nonpayment of dues, interest and premiums, not exceeding 2 per cent a month upon sums unpaid and not extending beyond a period of six months from time of first default. §11, Chapt. 266, Public Laws of New Hampshire, 1926.

NEW JERSEY

Building and loan associations may take from members a premium for priority or privilege of loan and such premiums shall not be deemed usurious. Such premium may be at an agreed rate or determined by auction to the highest bidder and payment of interest in advance for not exceeding one month shall not be deemed usurious. §16, Chapt. 65, Laws of New Jersey, 1925.

Associations may loan to members on security of first mortgage on improved New Jersey real estate, not to exceed 80 per cent of the cash value thereof, payable in shares of the association, or by appropriating, periodically, dues and profits credited to shares pledged as security for loan, or by periodical instalments. Paragraph II.

Associations may loan to nonmembers and to members on security of mortgage on improved New Jersey real estate, not to exceed 65 per cent of the cash value thereof provided at least 50 per cent of such loan is of the character authorized by paragraph II. A premium or discount taken on loans of this character shall not be deemed usurious. Paragraph V.

Association may loan upon pledge of its shares not to exceed 90 per cent of the withdrawal value of such shares. Paragraph IV, §7, Chapt. 59, Laws of New Jersey, 1935.

A single fine not exceeding 5 per cent may be charged upon initial arrearages or on the amount by which the arrearage may be increased in any one month, but thereafter no further fines or charges shall be imposed exceeding 1 per cent per

month on the amount of such arrearages, not including fines. §13, Chapt. 59, Laws of New Jersey, 1935.

NEW MEXICO

Building and loan association shall lend its funds on real estate or on its shares, and upon terms and conditions, and in the manner, specified by its by-laws. §5, Chapt. 147, Laws of New Mexico, 1931.

No interest charges on loans shall exceed 10 per cent per annum. Good and amply unincumbered security must be given for such loans. §6, Chapt. 147, Laws of New Mexico, 1931.

The usury laws shall apply to all associations but charges for actual expenses incurred in connection with the making of loans, and fines imposed, shall not be construed as making the loan usurious. §10, Chapt. 147, Laws of New Mexico, 1931.

NEW YORK

Any savings and loan association may invest its funds in loans to its members: (a) upon their bonds secured by the transfer and pledge to the association of instalment shares having a matured value at least equal to the amount of such loans and further secured by mortgages upon real estate; (b) upon their bonds secured by the transfer and pledge to the association of instalment shares having a matured value at least equal to the amount of such loans and further secured by mortgages upon real estate, by the terms of which the dues paid by the borrower may, by his direction, be immediately applied in reduction of his indebtedness; provided, however, that the yearly payment of dues and interest required on any such loan shall not be less than 9 per cent of the amount lent, if such amount is in excess of 70 per cent of the appraised value of the real estate described in the mortgage; (c) upon their notes secured by the transfer and pledge to the association of shares, the withdrawal value of which shall exceed the amount of any such loan. §384, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935.

On such loans the association is authorized to charge premium or interest in excess of the legal rate. §378, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935.

However, the interest and premium charged by any such association on loans to members, when taken together, shall not exceed 8 per cent per annum, upon the sum actually lent, except that when such loans shall be secured by mortgage upon real estate, upon which real estate there is any prior mortgage, lien or encumbrances, interest and premium not exceeding 8 per cent per annum may be charged upon the amount of the prior loans, mortgages, liens or encumbrances from the date of the execution of the junior mortgage and upon the sums actually advanced by such association, from the date of their payment. §385, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935.

Any loan made by a savings and loan association to a member may be repaid at any time provided the member shall pay the principal due thereon, less the withdrawal value of the shares transferred as security therefor, the premium earned and the interest accrued at the date of such repayment, and in addition thereto: (a) interest on the principal repaid for a period of three months after the date of repayment when so provided in the by-laws of the association or, (b) interest and premium upon such principal for the whole year when so provided in the by-laws of the association, if the repayment be made at any time within one year from the date of the mortgage. §402, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935.

Such associations are also authorized to fine members who fail to pay punctually the sums of money or dues, required upon their shares, or the interest or the premium upon the loans obtained by them. §378, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935. However, no such fine shall exceed 2 per cent per month for the period during which such dues, interest and premium have remained in default, except that an association whose by-laws provide for the weekly payment of dues may, in lieu of any such fine, collect a fine of one cent per share for each default in the payment of dues. §389, Banking, McKinney's Consol. Laws as Amended by Chapter 85 of the General Laws of New York, 1935.

NORTH CAROLINA

No loans may be made by a building and loan association to any one not a shareholder thereof, nor to any shareholder for an amount greater than the par value of the shares held by such shareholder. Borrowers shall be required to give real estate security, either by way of mortgage or deed of trust unincumbered except by the prior liens held by such association, accompanied by a transfer and pledge to the association of their shares. The shares of any such association may be received as security for a loan on such shares of an amount not to exceed 90 per cent of the amount paid in as dues on such shares. §5182, North Carolina Code of 1935.

Any borrower has the right at any time prior to the maturing of the shares pledged as collateral for such loan to pay off and discharge his loan by paying the amount received by him, including the cost and expenses of making the loan, if the same has been deducted therefrom with interest at the rate of 6 per cent per annum on the whole sum received by him to the date of settlement and all fines and dues then remaining unpaid. Upon such settlement, he shall be credited with the withdrawal value of his shares as fixed by the charter or by-laws or by the directors of such organization. §5183, North Carolina Code of 1935.

NORTH DAKOTA

The funds of a building and loan association may be offered for loan in open meeting and the stockholder bidding the highest premium shall be entitled to receive a loan of the amount of the par value of each share of stock held by him. However, the rates of premium and interest on loans may be fixed or provided for by the terms of the charter or by-laws of the association. §5123, Compiled Laws of North Dakota.

Every loan shall be evidenced by a note secured by first mortgage on real estate accompanied by transfer and pledge of the shares of the borrower. The shares without other security may, in the discretion of the directors, be pledged as security for a loan to an amount not exceeding their value. §5124, Compiled Laws of North Dakota.

A borrower may repay a loan at any time whereupon he shall be charged with the full amount of the original loan together with all instalments of interest, premiums and fines in arrears and shall be given credit for the withdrawal value of his shares pledged and transferred as security. §5125, Compiled Laws of North Dakota.

No premiums, fines or interest on premiums accruing to an

association according to these provisions shall be deemed usurious. §5126, Compiled Laws of North Dakota.

An association may in its by-laws fix a per cent premium less than which it will not be obliged to accept loans. §5128, Compiled Laws of North Dakota.

OHIO

Building and loan associations have the power to assess and collect from members and others such dues, fines, interest and premium on loans made or other assessments as may be provided for in the constitution and by-laws. Such dues, fines, premium or other assessments shall not be deemed usurious, although in excess of the legal rate of interest. §9650, Code of Ohio, Baldwin's Revision, 1934.

An association may make loans to members and others on such terms and conditions as may be provided by the association and upon the following securities: (a) obligations secured by mortgage or deed of trust on real estate which shall be a first lien on real estate. Such loans must be amortized at not less than 1 per cent of the original loan per month, except that loans need not provide for amortization where the period of the loan does not exceed three years and the amount does not exceed 50 per cent of the fair value of the real estate. (b) obligations secured by pledge of stock or of deposits in such association but such loans shall not exceed 80 per cent of the face value of such stock or deposits. §9657, Code of Ohio, Baldwin's Revision, 1934.

An association may levy a reasonable charge upon any one applying for a mortgage loan for its services incident to the loan. Reasonable charges may also be made for services in extending the period of maturity of a loan or otherwise readjusting or refinancing it or for any other action by the association permitted or required by law. §9672, Code of Ohio, Baldwin's Revision, 1934.

OKLAHOMA

The funds of a building and loan association shall be offered for loan at open meeting. The stockholder bidding the highest premium for the preference or priority of loan shall be entitled to receive a loan of the full amount for each share of stock held by such stockholder. §9804, Oklahoma Statutes, 1931. No premiums, fines or interest on such premiums that may accrue to the association according to these provisions shall be deemed usurious. §9806, Oklahoma Statutes, 1931. Any such association may, by its by-laws, dispense with the offering of its moneys for bid, and in lieu thereof may loan or advance its moneys to members at such rate of interest or interest and premium as may be provided by the by-laws. Such premium to be paid in instalments shall not be deemed usurious but shall be taken to be the payment as it falls due, and the same shall be lawful in so far as the said premium, together with interest, shall not exceed 1 per cent per month. §9817, Oklahoma Statutes, 1931.

The loans made by such an association shall be only on real estate security or on the security of its own shares of stock. Loans on shares of stock shall not be made to an amount exceeding the instalments actually paid in on such shares. §9822, Oklahoma Statutes, 1931.

A borrower may repay a loan at any time by the payment to the association of the principal sum borrowed, together with interest, not to exceed 12 per cent per annum, together with such per cent of premium per annum as may have been bid for the preferences and any fines or charges that may be imposed upon such stockholder at the time of such repayment; or in case the amount of premium paid for the priority of such loan has been deducted in advance and repayment thereof is made before the expiration of eight years after the issuance of the shares on which the loan was made, there shall be refunded to such borrower one-eighth of the premium paid for every year of the said eight years unexpired. §9805, Oklahoma Statutes, 1931.

OREGON

A savings and loan association may invest its funds in (a) loans upon or in notes secured by first mortgage or trust deed on improved real estate, in an amount not to exceed 66⅔ per cent of its appraised value on instalment loans, and in an amount not to exceed 50 per cent of such appraised value on straight loans; (b) in loans to members on the security of its certificates or shares not to exceed 90 per cent of the withdrawal value of the security given. §25–383, Oregon Code Annotated, Supp. 1935.

No fines may be assessed for any reason on any shares or obligations of any savings and loan association until and unless the owner of said shares or obligations has been delinquent for twenty-four consecutive months and until sixty days after written notice of pending liability for such fines has been sent to the registered owner. Such fines when imposed shall not exceed ten cents per one hundred dollar share or certificate per month, commencing with the date of notice. This does not preclude a reasonable charge being made against borrowers for the purpose of defraying the expenses of making and/or carrying the loan. §25–368, Oregon Code Annotated, Supp. 1935.

PENNSYLVANIA

Every building and loan association has the power to grant mortgage loans either with or without charging the borrower for the privilege of being granted such loan, but an association shall not charge any premium unless the borrower agrees in writing to pay such premium. If the premium is deducted by the association in advance, it shall not exceed 10 per cent of the amount of the loan or, if paid by the borrower in instalments, 1 per cent per annum of the amount of the loan. A premium paid pursuant to this provision shall not be deemed usurious although it exceeds the legal rate of interest, or when added to any interest paid upon such loan it exceeds the legal rate of interest. §1074–901, Title 15, Purdon's Pennsylvania Statutes Annotated.

The security for a mortgage loan is to be (a) the bond of the borrower secured by the transfer and pledge to the association of instalment shares in such association having a par value at least equal to the amount of the loan and further secured by a mortgage upon real property which belongs to the borrower, or (b) the bond of the borrower secured by a mortgage upon real property which belongs to the borrower, such mortgage being for an amount not to exceed one-half of the amount of the loan, this portion being known as the straight mortgage portion of the loan, and a bond for the remainder secured by the transfer and pledge of instalment shares and a mortgage upon the property. §1074–903, Title 15, Purdon's Pennsylvania Statutes Annotated.

An association may levy a reasonable charge upon any corporation or person applying for a mortgage loan for its services in connection with such loan. §1074–904, Title 15, Purdon's Pennsylvania Statutes Annotated.

An association may grant share loans to any of its shareholders upon the note of the borrower secured by the trans-

fer and pledge to the association of the borrower's shares which have not previously been transferred or pledged to any one other than the association, to an amount not in excess of the amount paid in on account of such shares. §1074–910, Title 15, Purdon's Pennsylvania Statutes Annotated.

Any association may impose fines upon its shareholders for failure to pay dues, interest, or premiums. The fine shall not exceed 1 per cent per month of the amount of the dues, interest, or premiums which are in arrears for the period during which they have been in such arrears. Fines levied pursuant to this provision shall not be deemed usurious. §1074–617, Title 15, Purdon's Pennsylvania Statutes Annotated.

A borrower has the right to repay a loan to an association at any time before the maturity of the shares securing such loan. Upon so doing, he may, in the case of a mortgage loan, apply the withdrawal value of the shares securing such loan against the principal of such loan and pay the balance in cash, or, in the case of a share loan, take credit for the withdrawal value of the shares securing such loan up to the amount of the principal of the loan, and as to any balance remaining acquire the rights of a withdrawing shareholder, or he may pay the principal of the loan in cash and have the shares securing such loan retransferred to him by the association. If the loan repaid is one upon which the association has deducted the premium in advance, such proportion of the premium as the by-laws shall determine shall be refunded to such borrower unless the same amounts to 2 per cent or less of the amount of such loan, in which case no such refund need be made. But if the premium exceeds 2 per cent of the amount of such loan, the association may not retain more than one hundredth of such premium for each calendar month that has expired since the date upon which the loan was granted. §1074–911, Title 15, Purdon's Pennsylvania Statutes Annotated.

The method of collecting premiums or interest may be either one of the following: (a) the agreed premium may either be deducted in full at the time of the granting of the loan or may be paid by the borrower in equal periodical instalments extending over the period of the loan; (b) interest upon a loan shall not be charged or deducted in advance whether such interest is charged in lieu of premiums or otherwise, but it shall be paid in equal periodical instalments extending over the period of the loan. §1074–913, Title 15, Purdon's Pennsylvania Statutes Annotated.

RHODE ISLAND

Every domestic building and loan association shall take for every loan made a note or bond secured by first mortgage on real estate accompanied by transfer and pledge of the shares of the borrowing member to the association. Shares without other security may be accepted as security for loans for an amount not exceeding their withdrawal value. §14, Chapt. 1796, Public Laws of Rhode Island, 1931.

Any such association may provide in its by-laws in what manner applications and bids for loans shall be received and acted upon and who shall be entitled to loans thereunder. §22, Chapt. 1796, Public Laws of Rhode Island, 1931.

SOUTH CAROLINA

There are no express provisions providing for the organization and regulation of building and loan associations, but in the article on "Property Exempted from Taxation" reference is made to the lending powers of building and loan associations. It is stated that no building and loan association be allowed to make loans under the provisions authorized by law to banks, banking houses, or other corporations or persons conducting business in the nature of banks or banking houses, except in the usual way of lending to individuals without discount and showing the evidence of the indebtedness of such loans to be by promissory notes or bonds and secured by mortgages of real estate or other security. It further provides that no building and loan association shall be permitted to lend money on property located without the county limits in which it is located. §2578(32), Code of South Carolina, 1932.

Building and loan associations are authorized to make loans or advances of credit pursuant to Title I, section 2, of the National Housing Act, and pursuant to Title II of said Act. Act 124, Acts of South Carolina, 1935.

SOUTH DAKOTA

A building and loan association is authorized to make loans to members on notes secured by mortgages which are a first lien on real property not to exceed 50 per cent of the cash value thereof, payable in shares of the association or by periodical instalments. This limitation on the amount of loans shall not apply to a building and loan association whose business is confined to the city or town in which it is located, but such association shall not make loans to exceed 75 per cent of the cash value of the real property. The repayment of a loan may be secured by giving the association a straight note and mortgage on real property for a fixed period for an amount not to exceed one-half of the loan, and upon the remainder of the loan, shares of the association and an instalment note and mortgage on real property. However, it shall not be lawful to collect fines on such straight note and mortgage. Loans made payable in shares of the association shall be accompanied by pledge of shares having a matured or par value equal to the face of the loan. Loans repayable in periodical instalments shall be repayable in a definite number of such instalments named in the note or obligation. An association may also loan to members upon the pledge of shares of the association in an amount not to exceed 90 per cent of the withdrawal value of such shares. §9065-R, Compiled Laws of South Dakota, 1929.

A building and loan association is also authorized to make loans to non-members or to members without pledge of their stock as collateral security on notes secured by mortgage which shall be a first lien on real estate not to exceed one-half of the cash value thereof and upon such terms and such rates of interest as its board of directors may determine. §9065-S, Compiled Laws of South Dakota, 1929.

Any loan made by such association to a member may be repaid at any time provided the member shall pay the principal due thereon less the withdrawal value of the shares transferred as security therefor, the interest accrued at the time of such repayment, and in addition thereto (a) interest on the principal repaid for a period of three months after the date of repayment, (b) interest upon such principal for the whole year when so provided in the by-laws of the association if the repayment be made at any time within one year from the date of the mortgage or other evidence of debt. §9065-U, Compiled Laws of South Dakota, 1929.

Every such Association shall have the right to impose fines upon its members for nonpayment of dues, interest, taxes, insurance, or other sums which may be due such association at the times and in the manner provided for the

payment of the same by its by-laws. No such fine or interest on loans or other advances to members shall be deemed a violation of any statute against the taking of usury. No such association shall charge fines after notice of withdrawal shall have been filed nor fines upon fines, and after a default in any periodical payment for three successive months cumulative fines shall not be charged in excess of 2 per cent per month on the amount in arrears. §9065-Z4, Compiled Laws of South Dakota, 1929.

Authority is given a building and loan association to make loans pursuant to Title I, section 2, and Title II, of the National Housing Act. Chapt. 112, Session Laws of South Dakota, 1935.

TENNESSEE

Building and loan associations may lend their funds to their stockholders or members. All such loans shall be secured by first liens upon real estate, the loan in no case to exceed in amount two-thirds the value of the real estate. The foregoing limitation does not apply, however, to such mortgage loans as the Federal Housing Administrator insured or makes a commitment to insure pursuant to Title II of the National Housing Act. §3901, Williams Tennessee Code Ann.

The funds of the association shall be offered at its stated meetings for loan to stockholders or members and the member whose offer is most advantageous to the association shall be granted the loan. §3905, Williams Tennessee Code Ann.

Building and loan associations are authorized to make direct reduction loans to members who have subscribed for shares secured by first lien on real estate, payable in periodic instalments sufficient to amortize the same by the payment of interest and principal in not less than five nor more than twenty years as may be agreed upon. The association may take a note or bond which shall require a periodic payment sufficient to amortize the debt in the period fixed. Such payments shall be applied first to the interest on the unpaid balance of the debt, and the remainder to the unpaid principal until the loan is paid in full. §3905,1, Williams Tennessee Code Ann.

The association may also make loans to its stockholders upon the security of their stock, but not in excess of 90 per cent of the cash withdrawal value of such share or shares. §3906, Williams Tennessee Code Ann.

The premium on loans may be bid in a lump sum or it may be bid payable in weekly or monthly instalments of so many cents per share, payable weekly or monthly throughout the life of the loan. §3898.8, Williams Tennessee Code Ann.

The premium bid by borrowing stockholders for the preference or priority of a loan shall be paid before the loan is consummated, not as a part of the loan, not as interest but as a means of determining which one of the shareholders shall receive the loan. §3900, Williams Tennessee Code Ann.

Stockholders who are borrowing members and who desire to have their mortgages or deeds of trust canceled or leave the association before their stock matures may do so by paying their loans; but in case any such loan is repaid within one year, all premiums for that period shall be retained and such member or stockholder shall pay to the association the amount, which when added to the dues and earnings credited to his stock, will equal the face of his loan together with interest up to the date of repayment and delinquent assessments. In cases where such loan has run for more than one year, the withdrawing member or stockholder shall be required to pay premiums and interest up to the time of repayment only. §3916, Williams Tennessee Code Ann.

TEXAS

Building and loan associations are authorized to invest their funds in loans to their members either with or without premium as the borrower may in writing agree to pay. The manner in which said premium, if any, shall be paid shall be prescribed in the by-laws. The loan may take one of the following forms:

(a) It may be secured by the note of the borrower and the transfer and pledge of the instalment shares of the borrower having a matured value equal to the amount of the loan and further secured by a mortgage or deed of trust on improved real estate unincumbered except by prior liens held by the lending association.

(b) It may be secured as in (a) save that by the terms of the mortgage the dues paid by the borrower may, by his direction, immediately or at stated periods as agreed upon with the borrower, be applied in reduction of his indebtedness. The number of payments of dues, interest, and premium required from the borrowing shareholder to pay off his loan and secure a release may be limited to such a definite number as the by-laws provide. Loans in the form of either (a) or (b) shall not exceed in amount two-thirds of the appraised value of the real estate.

(c) The loan may be secured by the note or obligation of the borrower, payable in monthly instalments, said instalment on principal to be not less than $2.50 on $1,000 of the amount of the loan, and further secured by a first mortgage or deed of trust upon improved real estate. Such a loan shall not exceed two-thirds of the value of the real estate.

(d) The loan may be secured by first mortgage on improved real property worth 50 per cent more than the amount of the loan, which loan may be repaid in monthly instalments as may be provided in the deed of trust or mortgage.

(e) The loan may be secured by the transfer and pledge to the association of the free shares of the borrower. Such a loan shall not be in an amount exceeding 90 per cent of the withdrawal value of the shares pledged for security. Art. 881a-37, Texas Statutes, 2nd Supp. 1934.

If the association has excess funds it may invest them in loans to non-members upon improved real estate secured by first mortgage liens upon such property in an amount not to exceed 50 per cent of the appraised value thereof. Art. 881a-37, Texas Statutes, 2nd Supp. 1934.

Notes and mortgages taken by an association from its members shall be deemed to obligate the maker to the performance of the provisions of this Act and the by-laws of the association relating to payment, loans, premium, interest, dues, fees and fines, although the same may not be fully expressed therein. Art. 881a-37, Texas Statutes, 2nd Supp. 1934.

Any loan made by a building and loan association may be repaid at any time after three months have elapsed from the date of making such loan, provided the borrower shall pay the principal due thereon, less the withdrawal value of shares transferred as security therefor, and the loan expenses and the premium due and the interest accrued at the time of such repayment, and in addition thereto interest on the principal repaid for the period of three months after the date of repayment. Art. 881a-39, Texas Statutes, 1st Supp.

Building and loan associations are also authorized to invest their funds in debentures or mortgages issued under the terms of the National Housing Act. Chapter 12, General and Special Laws of Texas, 1935.

(In the next issue of BANKING *the laws of Utah, Vermont, Virginia, Washington West Virginia, Wisconsin and Wyoming will be summarized.)*



BANKING

Index for February

Page

ACCOUNTING AND AUDITING
- Capital stock ... 22, 23
- Par and no-par value ... 22, 23
- Profits, reserves, surplus ... 22, 23

ADVERTISING
- F.D.I.C. requirement ... 6
- Salesmanship ... 74, 75
  - Educational ... 74, 75
  - Tangible services ... 74, 75
- Small loan department ... 24
  - Direct mail ... 24
  - Newspaper ... 24

AMERICAN BANKERS ASSOCIATION
- Annual Eastern Savings Conference ... 11, 44, 46, 50
- Eastern Conference on Banking Service ... Section II
- Mid-Winter Trust Conference ... 8, 50, 71
  - Program ... 71
- Regional conferences ... 11, 44, 50

AMERICAN INSTITUTE OF BANKING
- Annual convention ... 44
- Graduate School of Banking ... 11, 60, 61

BOOKS, NEW ... 94, 95

BUILDING AND LOAN ASSOCIATIONS
- Digest of state laws ... 96–104

CALENDAR
- Conventions and meetings ... 44, 46, 48, 50

CONDITION OF BUSINESS—trade outlook, Congress, credit control, building, railways, interest rates, A.A.A. decision, farm prices, devaluation, stabilization, budget, Government debt, bank debits ... 33–36

DIRECTORS
- Committee system ... 72, 73
  - Operations ... 72, 73
- Federal Reserve Board
  - Regulations
    - Interlocking personnel ... 68, 69, 91
- Loans, delinquent
  - Report to ... 29
- Publications
  - Management problems ... 72, 73
  - State banks and trust companies ... 72, 73

FEDERAL RESERVE SYSTEM
- Board of Governors
  - Credit control ... 1, 33
  - Regulations ... 18, 41, 42, 68, 69, 91
    - Interest rates ... 18, 19, 37–39
    - Interlocking personnel ... 68, 69, 91
    - Security dealers ... 91
    - State banks
      - Membership ... 41, 42, 68
  - New organization ... 1
  - Open market committee ... 1

FOREIGN TRADE
- Trade agreements, United States ... 1, 5
  - In effect ... 1, 5
  - Pending ... 5

GOVERNMENT BANKING—interest rates, demand deposits, time deposits, railway loans, loans to industry, credit, Reserve loans, commitment system ... 37–40

HOUSING
- Mortgage loans ... 63, 84, 85
  - Amortization ... 63
  - Appraisals ... 63
  - Insured ... 84, 85

INVESTMENTS
- S.E.C.
  - Regulations ... 5, 6
  - Unlisted securities trading ... 92, 93
    - Report to Congress ... 92, 93
    - Study of problem ... 92, 93
- Security dealers
  - Federal Reserve Board—regulations
    - Interlocking personnel ... 91

LEGISLATION
- State
  - Building and loan associations—digest ... 96–104
  - Washington ... Page
    - Bonus chronology ... 82
    - Budget provisions—Civil Conservation Corps, agricultural relief, Social Security Act, Railroad Retirement Act, national defense, bonus, government debt ... 21, 59
    - Monetary
      - Devaluation ... 59
    - Taxes ... 59
    - Unemployment relief ... 21, 59

LOANS
- Applications
  - Refusals ... 64
- Building and loan associations
  - Digest of state laws ... 96–104
- Excess funds ... 19, 20, 24, 52
  - Deposits in small banks ... 52
  - Instalment financing ... 24, 25, 52, 54
- Government agencies ... 17–20, 38–40, 52, 89
  - Competition with private capital ... 17–20, 52, 89
  - Delinquency record ... 18–20, 89
  - Interest rates ... 17–20, 38–40, 89
    - Inadequacy ... 17–20, 89
    - Lending structure, effect on ... 17–20, 89
    - Regulation ... 18, 19, 38–40
      - Federal Reserve ... 18, 38–40
    - Relation to community ... 18
  - Subsidies ... 19
- Industrial ... 38–40
- Loss prevention ... 28, 29, 56
  - Collection methods ... 28, 29
  - Repayment requirements ... 28, 29, 56
- Member banks
  - Loss percentages—table ... 29
- Mortgage ... 38, 63, 84, 85
  - Amortization ... 63
  - Appraisals ... 63
  - Insured ... 84, 85

LOANS, SMALL
- Instalment financing ... 24, 25, 52, 54
  - Competition with finance companies 24, 52
  - Home appliances ... 52, 54
    - Direct to dealers ... 52, 54
      - Endorsement of note ... 54
      - Financial statement of customer. 54
      - Interest rates ... 52, 54
      - Mortgage on product ... 54
      - Reserve accounts ... 54
  - New department ... 24, 25
    - "Character" loans ... 24
    - Customer good-will ... 24
    - Organization—accounts, discount, interest, payments ... 24, 25
    - Publicity ... 24
    - Volume ... 24, 25

MANAGEMENT
- Assets ... 22, 23
  - Capital stock ... 22, 23
    - Convertible preferred ... 23
    - No-par advantages ... 22, 23
    - Par value requirements ... 22, 23
    - Suggested changes ... 22, 23
  - Loans, legal percentage ... 23
  - Reserves and undivided profits ... 22, 23
  - Surplus ... 22, 23
- Budget ... 26, 27
  - Departmental operations—Earnings and expenses, fluctuations, personnel, reserves, revisions ... 26, 27
  - Value ... 26, 27
    - Earnings, effect of budget on ... 26, 27
- Customer relations ... 24, 64, 74, 75, 80, 81
  - Advertising services ... 74, 75
  - Good-will through small loans ... 24
  - Loan refusals ... 64
- Deposits ... 23, 28, 33, 37, 38, 42, 52, 76–79
  - Demand ... 37, 78
  - Increase ... 33, 52
  - Time ... 38, 78
- Directors
  - Closer relationship ... 72, 73
  - Earnings and expenses ... Page
    - Comparative incomes ... 76–79
      - Gross and net ... 76–79
      - Percentages ... 76–79
      - Tables ... 36, 77–79
    - Loss prevention ... 28, 29, 56, 72
      - Collection methods ... 28, 29
      - Repayment requirements ... 28, 29, 56
    - Percentages of losses ... 28, 29
      - Earning assets—table ... 28
      - Loans and investments—table ... 29
  - Interest rates ... 17–20, 37–39, 52, 54, 76, 77, 89
  - Mergers ... 6, 22, 23
    - Capital stock ... 22, 23
    - F.D.I.C. promotion ... 6
    - Stockholders ... 22, 23
  - Protection ... 83
  - Service charges ... 18, 54, 72, 76, 77, 79

MONEY
- Inflation ... 33, 59, 89
  - Devaluation ... 34, 59
- Prices ... 34, 59
- Stabilization ... 5, 34

NATIONAL BANKS
- Capital stock ... 22, 23, 41
  - Common ... 22, 23
  - Preferred ... 22, 23

PAGE ONE—Federal Reserve System, stabilization fund, Supreme Court, trade agreements, S.E.C., F.D.I.C., mergers, air-conditioning, motor carriers, Democratic convention, commercial arbitration, conventions and meetings, A.I.B. Graduate School of Banking, foreign events, public finance, treasury bills, notes, bonds, Government taxes, H.O.L.C., corporate funded debt ... 1, 5, 6, 8, 11, 12, 14

PUBLIC AFFAIRS
- Bonus chronology ... 82
- Budget, national ... 21, 34, 59
- Business conditions ... 33–36
- Corporate finance ... 12, 14, 38
  - Funded debt ... 12, 14
- National economy ... 17–20, 89
- Public finance ... 11, 12, 19–21, 34
  - Government debt ... 19–21, 34, 59
  - Government securities ... 12, 33
- Taxes ... 12, 59
- Unemployment relief ... 21, 34, 59

RESERVES ... 22, 23, 26, 27, 39, 41
- Budget ... 26, 27
- Relation to capital and surplus ... 22, 23

SAVINGS BANKS—STATE
- Reserve membership regulations ... 41, 42, 68

STATE BANKS
- Directors
  - Duties and responsibilities ... 72, 73
  - Reserve membership regulations ... 41, 42, 68

TRUSTS
- American Bankers Association
  - Mid-Winter Trust Conference
    - Program ... 71
- Publications
  - Directory of trust institutions ... 48
  - State trust companies ... 72, 73
    - Directors ... 72, 73
- State banks
  - Federal Reserve regulations ... 42
- Trustees ... 66, 86–88
  - Compensation ... 66, 87–88
  - Estate management ... 66, 86–88
  - Service ... 66, 86–88
- Wills, typewritten ... 30, 31, 70
  - Forgery ... 30, 31, 70
    - Detection methods ... 30, 31, 70
    - Increase of fraud ... 30

Table of Advertising Contents

American National Bank and Trust Company makes some observations about "a good bank to know"..... 74

American Telephone & Telegraph Company comments on the teletypewriter..... 84

Associated Lumber Mutuals states that "insurance protects industry"..... 90

Babson's Reports, Inc., invites investment inquiries..... 11

Bank of America N. T. and S. A. had total resources on Dec. 31 of $1,277,419,381.42..... 83

Bankers Trust Company had total assets of $1,031,668,956.86 on Dec. 31..... 57

Boatmen's National Bank had total resources of $52,608,460.17 on Dec. 31..... 87

Burroughs Adding Machine Company explains its short-cut, visible keyboard..... 58

Canadian Bank of Commerce had total assets of $629,536,511.68 on Nov. 30..... 51

Central United National Bank of Cleveland had total assets Dec. 31 of $146,987,308.39..... 80

Chase National Bank had total resources of $2,350,549,192.53 on Dec. 31... 88

Citizens National Trust and Savings Bank of Los Angeles had total resources of $108,676,560.54 on Dec. 31..... 82

Cleveland Trust Company had total assets of $337,733,007.48 on Dec. 31 56

Commercial Credit Company deals in short term notes..... 84

Commercial Union Group stresses expert insurance service.....3rd Cover

Continental Illinois National Bank and Trust Company had total resources of $1,141,086,266.71 on Dec. 31..... 63

Crum & Forster are insurance company managers..... 6

De Luxe Check Printers, Inc., print "individualized checks"..... 8

Detroit Bank, The, was formerly the Detroit Savings Bank..... 67

Dick & Merle-Smith furnish security advisory service for institutions..... 5

Dictaphone Corporation offers, by coupon, a working demonstration of its product..... 59

du Pont, Francis I., & Company has an investment advisory service..... 16

Ediphone, Thomas A. Edison, Inc., makes a comparison..... 46

Employers Mutuals have branches in principal mid-western cities..... 11

Equitable Fire & Marine Insurance Company is one of the Phoenix (Hartford) group..... 91

Esleeck Manufacturing Company invites inquiries for samples of its papers.... 84

Farmers Deposit National Bank of Pittsburgh had total resources on Dec. 31 of $103,017,457.39..... 10

Federal Intermediate Credit Banks describe their consolidated debentures.... 5

Federation of Mutual Fire Insurance Companies tells the meaning of "mutual" 45

Fidelity Union Trust Company had total resources of $150,631,615.03 on Dec. 31 86

Fireman's Fund Group discusses security 71

First National Bank in St. Louis had total resources of $235,536,346.19 on Dec. 31..... 89

First National Bank of Chicago had total assets of $925,394,243.77 on Dec. 31.. 61

First National Bank of Memphis had total resources of $41,532,095.16 on Dec. 31 92

First National Bank and Trust Company of Oklahoma City had total resources of $59,398,456.84 on Dec. 31..... 75

First Wisconsin National Bank had total resources of $199,399,946.58 on Dec. 31..... 54

Fort Worth National Bank had total resources of $42,221,019.04 on Dec. 31.... 90

Fulton National Bank offers correspondent service in Atlanta..... 95

George S. May Company names 8 things May Management Controls will do..... 47

General Electric Company tells of an old-fashioned use for nail files..... 15

General Foods, Inc., prints a notice to its 62,000 stockholders 8

General Mills, Inc., announces its common stock dividend..... 12

General Motors Acceptance Corporation deals in GMAC short term notes..... 89

Gertler & Company, Inc., specializes in municipal and land bank bonds..... 16

Guaranty Trust Company had total resources of $1,847,433,862.46 on Dec. 31... 52

Home Insurance Company had assets of $113,206,862.16 on Dec. 31..... 55

Homestead, The, is the meeting place of A.B.A. Executive Council at Hot Springs, Va., in April..... 94

Investors Syndicate shows its record of growth..... 2

Lamson Company has published a booklet, "Wings of Business"..... 48

Lawrence Warehouse Company defines "B.S.F.U.R."..... 62

London Assurance makes a suggestion about automobile purchase loans..... 9

Manufacturers Trust Company had total resources of $673,011,719.51 on Dec. 31..... 66

Marine Midland Banks list the New York State communities they serve..... 44

Maryland Casualty Company tells about a gold vault..... 7

Massachusetts Distributors, Inc., will send on request a prospectus of Massachusetts Investors Trust..... 93

Mercantile-Commerce Bank and Trust Company had total resources of $164,156,049.39 on Dec. 31..... 79

Meredith, J. F., & Company are bank auditors..... 3

Mericka, William J., & Company, Inc., offer over-the-counter brokerage service.. 16

Mississippi Valley Trust Company prints an interesting map..... 68

Moody's Investors Service discusses "the magnified importance of the bond account"..... 4

Morris Plan Bankers Association comments on good will..... 50

National Bank of Commerce of Houston had total resources of $36,871,047.44 on Dec. 31..... 93

National Bank of Detroit had total resources of $395,917,601.60 on Dec. 31..... 69

National Bank of Tulsa had total resources of $55,069,044.93 on Dec. 31..... 81

National Cash Register Company reprints a letter..... 65

National City Bank of Cleveland had total resources of $137,578,936.74 on Dec. 31..... 72

National Surety Corporation had total assets of $15,597,140.93 on Dec. 31..... 76

Neenah Paper Company features its business stationery..... 95

New York Trust Company had total assets of $419,675,771.30 on Dec. 31..... 53

Norge Division, Borg-Warner Corporation, discusses home appliances..2nd Cover

Northern Trust Company offers correspondent service in Chicago..... 85

Omaha National Bank had total resources of $45,680,693.60 on Dec. 31..... 92

Pennsylvania Company for Insurances on Lives and Granting Annuities offers complete banking service..... 78

Philadelphia National Bank offers correspondent facilities..... 14

Pittsburgh Plate Glass Company has a book of facts about store fronts..... 49

Poor's Publishing Company advertises its manuals and new daily reports..... 12

Recordak Corporation lists seven benefits of its service to a Denver bank 43

Remington Rand, Inc., tells of three strange oversights..... 13

R. J. Reynolds Tobacco Company makes an offer to new smokers of "Camels" 4th Cover

Riggs National Bank tells why Washington correspondent service is important 73

St. Louis Sticker Company will send samples of Protect O Seals..... 84

Salomon Brothers & Hutzler deal in investment bonds..... 16

Standard Accident Insurance Company asks, "Why take chance?"..... 64

The Todd Company, Inc., comments on banking values from a depositor's viewpoint 77

Willard Hotel relates a Washington incident..... 5

York Safe & Lock Company pictures its day raid locker..... 70

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION